"Everyone gets a raise?"

By Tommy Williams, CFP®

The curtain appeared to close on the first act of 2019 last week – and what an impressive act it was. A great rebounding first quarter! The Standard & Poor's 500 Index delivered some dramatic returns and is less than 1 percent away from a new all-time high. Despite relatively few shares changing hands, major U.S. indices eked out gains. It has calmed a bit since then. Ben Levisohn of Barron's explained:

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"Trading volume was tepid at best. This past Monday, fewer shares changed hands than on any day since December 24 – when the market closed early for Christmas. Tuesday's volume was lower than Monday's, Wednesday's was lower than Tuesday's, and...well, you get the point. That was just another sign that no one wanted to place any big bets on the market this past week – in either direction."

Investors were complacent even though news suggested trade talks with China were progressing well. They remained unruffled in the face of a Presidential tweet suggesting the United States will impose tariffs on Europe in retaliation for illegal subsidies to a European aerospace firm.

There was another interesting development in the United States last week. It was widely reported that a number of companies in the retail and banking sectors increased entry-level hourly wages to levels well above the national minimum wage of $7.25 an hour. The companies are paying $13 to $20 an hour, according to Renae Merle of The Washington Post and a report from Reuters.

That is good news for workers, but not necessarily such good news for investors since higher wages could lead to lower corporate profits, reported Joe Wallace and Akane Otani of The Wall Street Journal. Maybe what is equally important is that the percentage of Americans that are unemployed or are working part-time only because they are unable to find full-time work has fallen to 7.3% of the civilian labor force as of March 2019. This is the lowest percentage for this statistic since December 2000. Meanwhile, the highest expense on most company's cost of doing business ledger is always labor. The cost of employee's wages, fringe benefits, retirement contributions, health insurance, etc. It

all adds up. Another thing it does when you look at the big picture nationwide is create inflation. Inflation, which has been virtually non-existent for years, then triggers the Federal Reserve to raise interest rates. Then people begin to hear whispers of the "R" word – recession. Those same people become fearful and stop spending money and create a self-fulfilling prophesy – a slow down in the economy which has historically been a recession. Technically, a recession is two consecutive quarters in which Gross Domestic Product (GDP) is negative. That is to say – the economy slows down to a negative number for two quarters. Incidentally, we are nowhere near that now, but that is what happens if enough people quit spending money.

Since I know you are wondering, the last recession in the United States ran for 18 months and ended in June 2009 or nearly 10 years ago. The longest expansionary stretch in history (based upon records maintained since 1854) is 120 months, the decade from March 1991 to March 2001. That record may soon be broken. For now, my Easter wish for you is that you enjoy it while it lasts! Stay close to your trusted advisor and keep your focus on sound fundamentals and clear goals and objectives.

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