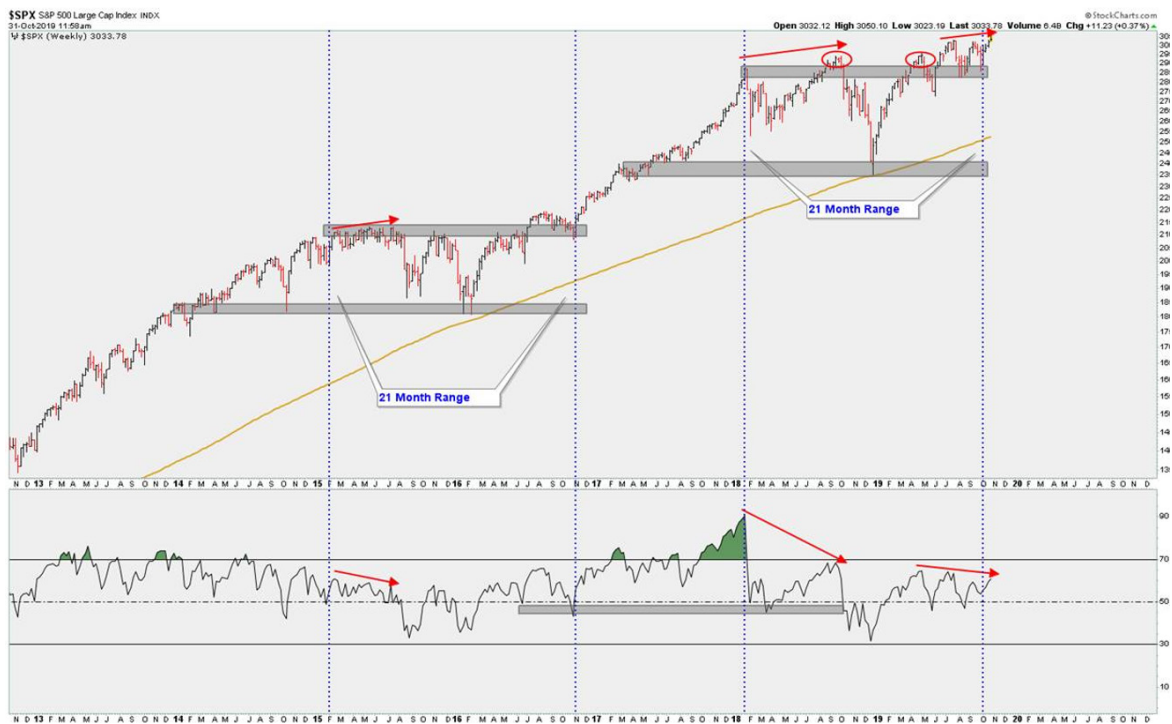


COMMENTARY

Bullish, that is the best way to describe our current view on the equity markets. Do we have some concerns? Absolutely. We're always looking for things that go against our views, to see if we're missing something. But, as of right now, we must take the weight of the evidence and side with a bullish stance. The S&P 500, Dow Jones Industrial Average, Nasdaq Composite, Technology Index, Semiconductors Index, Real Estate Index, and others are all breaking out to new all-time highs. That doesn't sound bearish to us.

The chart this month looks back at the previous consolidation range that lasted roughly 21 months (from 2015 through most 2016) and shows a comparison to our current consolidation range that also lasted 21 months. When the market moves higher, after breaking out of the range, like it did in 2017, there is typically a correction in price and/or time when the move is over. Investors take profits in stocks that rose in price, and re-access current positioning and allocations. This is normal and a healthy inside of a secular bull



ECONOMIC HIGHLIGHTS

S&P 500	3,037.56
DIJA	27,046.23
NASDAQ	8,386.40
OIL	\$54.18/BARREL
GOLD	\$1,514.80/OUNCE
10-YEAR TREASURY FIELD	1.69%
UNEMPLOYMENT	3.50%
GDP	1.90% (Q3 ADVANCED EST)
CONSUMER PRICE INDEX (CPI)	0.0% (12 MO CHANGE +1.7%)
CORE CPI	0.1% (12 MO CHANGE +2.4%)



JOBS! – October's employment report came in strong. Nonfarm payrolls rose 128,000, which was higher than estimates. Manufacturing fell 36,000 but should bounce back in November now that the GM strike is over.



Brexit – After reaching an agreement with the EU, Boris Johnson's government missed the deadline for approval of the deal with Parliament, forcing him to seek another 3-month extension, to which the EU agreed. The UK will now hold a general election on December 12, 2019. Pending the results of the elections, we could see the Brexit stalemate either broken or intensified.



Weaker than expected, China GDP figures added to fears of a global slowdown. GDP rose just 6% year-over-year, which is the slowest since the first quarter of 1992.



market. Our view is that the market has digested the gains from the run in 2017 and is ready to make the next leg higher. Although we doubt we will see the same smooth upward trend that we had in 2017 (that was a historically low volatility year), there are still plenty of headline news stories to worry about: trade war with China, Brexit, Impeachment, and the U.S. presidential election less than a year away. In case things start to go sour, we are watching key levels on the downside, but we'll keep our eyes on the price action of the market and avoid the daily noise.

October saw the Federal Open Market Committee (FOMC) cut rates for the third time in 2019. The federal funds rate is now in a target range of 1.5 to 1.75 percent. The rate cut was very much expected from the market participants and reading the tea leaves from the FOMC statement, this might have been the last cut for 2019 unless something substantial changes in the economy. S&P 500 earnings have been positive in our view and according to FactSet, the companies that have reported as of time this was written (71 percent), 74 percent have reported earnings above estimates for Q3 2019.

Our long-term view (multiple years) of equity markets is bullish. The market is still in the middle part of a secular bull market, with the previous two secular bull markets lasting 17 years. Inside of a long-term secular bull market, a bear market and a recession are expected, but we currently do not project a recession looking out at the next 6-12 months. Our S&P 500 target at the beginning of the year was 2800 which we revised in our August newsletter to an S&P 500 target of 3200. Global equity markets have lagged the U.S. markets since the Great Financial Crisis, but we believe a well-diversified portfolio benefits investors over the long-term. Emerging markets has lagged throughout much of the year, but our long-term views are still bullish. According to J.P. Morgan Asset Management, 90 percent of all the future growth in the global middle class will come from Emerging Market investments. In Fixed Income, portfolios are starting to shift to a more core/investment grade allocation. In the coming months, we will be moving out of floating rate bonds and allocate more to investment grade quality bonds. This move will help us be more conservative and protect on the downside if our bullish call does not play out. Our research team is constantly evaluating our products and tactical positions inside both the fixed income portfolio and equity portfolio by looking at both larger trends and short-term opportunities. With daily monitoring of individual accounts, we continue to rebalance accounts when they fall too far from their equity-to-fixed income ratio.

MARKET TRACKER

INDEX	3 MO	1 YR	3 YR	5 YR
S&P 500	2.43%	14.33%	14.91%	10.78%
MSCI EAFE	3.80%	11.04%	8.48%	4.34%
BAR AGG BOND	2.35%	11.51%	3.29%	3.24%



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The Dow Jones Industrial Average (DJIA) is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange (NYSE) and the Nasdaq. The Nasdaq is a global electronic marketplace for buying and selling securities, as well as the benchmark index for U.S. technology stocks and is also used to refer to the Nasdaq Composite, an index of more than 3,000 stocks listed on the Nasdaq exchange. The MSCI EAFE index is designed to measure the equity market performance of developed markets (Europe, Australasia, Far East) excluding the U.S. and Canada. The Index is market-capitalization weighted. The Barclays Capital U.S. Aggregate Bond Index, which used to be called the 'Lehman Aggregate Bond Index', is a broad base index, maintained by Barclays Capital, and it often used to represent investment grade bonds being traded in the U.S. Barclays Capital (BarCap) U.S. Aggregate Bond Index is made up of the Barclays Capital U.S. Government/Corporate Bond Index, Mortgage-Backed Securities Index, and Asset-Based Securities Index, including securities that are of investment grade quality or better, have at least one year to maturity, and have an outstanding par value of at least \$100 million.

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