



EVERETT FINANCIAL GROUP

## Weekly Commentary

February 25, 2019



### The king and I

It was just another Monday morning at the White House when an unannounced visitor walked up to the gate and said he wanted to meet with President Nixon. Normally such people are given the brush-off, but this was treated differently.

It was "The King." Elvis Presley.

The famous singer dropped off a six-page handwritten letter requesting a meeting. Nixon adviser H. R. Haldeman decided to give him an appointment with the president the very same day.

Their brief get-together in the Oval Office may be one of the oddest moments in the Nixon presidency. Presley told the president earnestly that he had been studying Communist brainwashing and the drug culture for over a decade. He asked Nixon to make him a "Federal Agent at Large" to help fight the spread of drugs (especially ironic given that Presley was a chronic drug abuser who eventually died of an overdose).

He also offered the surprising observation that the Beatles were a major source of anti-American spirit,

and their music was filled with anti-American themes.

As the meeting drew to a close, Presley seemed gripped by emotion as he told the president that he was "on your side." Then he surprised the normally aloof Nixon by giving him a bear hug.

The next thing you know, Elvis had left the Building.

*Presley Scrawled his letter requesting an appointment with the president while on a cross-country fight.*

In response to Presley's request, the White House arranged for him to get a Bureau of Narcotics badge with his name on it.

*The Greatest Presidential Stories Never Told by Rick Beyer*

## Weekly Market Commentary February 25, 2019

### The Markets

Investors were pleased with the Federal Reserve's (Fed) new approach to its balance sheet.

The Fed delivered its semi-annual Monetary Policy Report to Congress last week. The report recapped the events of late 2018 and reiterated the Fed's intention to "...be patient as it determines what future adjustments to the federal funds rate may be appropriate to support the Committee's congressionally mandated objectives of maximum employment and price stability."

In other words, rate hikes are on hold for now.

The Fed also addressed issues related to its balance sheet, which grew from \$900 billion at the end of 2006 - about 6 percent of the United States' gross domestic product (GDP) - to almost \$4.5 trillion at the end of 2014 - about 25 percent of U.S. GDP. (GDP is the value of all goods and services produced in the United States in a given period.)

The balance sheet more than quadrupled during the past decade because the Fed began buying Treasuries and mortgage-backed securities, a policy called quantitative easing, in an effort to restore the U.S. economy to health, according to *The Hutchins Center* of the *Brookings Institute*.

Friday's report indicated the Fed will not shrink its balance sheet to pre-crisis levels, reported Erwida Maulia for *Financial Times*. Markets responded positively to the news:

"U.S. stocks and Treasuries were comfortably higher at midday on Friday as the Federal Reserve signaled it will hold a much larger balance sheet in the long term than it did before the financial crisis, helping ease investor concerns about tightening financial conditions."

Investors also remained optimistic about trade talks between the United States and China. Major U.S. stock indices finished the week higher.

Data as of 2/22/19	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.6%	11.4%	3.3%	12.8%	8.6%	14.2%
Dow Jones Global ex-U.S.	1.7	9.1	-9.8	7.7	0.4	7.2

10-year Treasury Note (Yield Only)	2.7	NA	2.9	1.8	2.8	2.8
Gold (per ounce)	1.1	3.9	0.2	3.2	0.1	3.1
Bloomberg Commodity Index	1.4	7.0	-7.4	2.6	-9.3	-2.2
DJ Equity All REIT Total Return Index	0.0	13.7	20.5	10.7	9.7	18.8

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

**SALT WATER HAS AN ECONOMIC IMPACT** due to sea levels rising at a more rapid rate during the past three decades, according to the *U.S. Global Change Research Program's Climate Science Special Report*. Since 1900, sea levels have risen between 7 and 8 inches. Since 1993, they're up 3 inches.

As levels continue to rise, people and companies around the world are likely to be affected. *Morgan Stanley* reported, "Many coastal cities around the world that look attractive to real assets investors - for example, Miami, New York, Boston, Osaka, Guangzhou, and Mumbai - are particularly vulnerable to flooding and other weather-related problems. And, infrastructure assets favored by investors, like airports, cell towers, and oil and natural gas pipelines, are often located in places prone to storms and extreme heat...Insurance will continue to be an important safeguard, but a limited one."

Protecting property and improving infrastructure is likely to change demand for specific goods and services. Sarah Green Carmichael of *Barron's* reported, "As we rush to protect basements and beach houses, companies in the home-improvement retail sector should benefit...So should companies that make products to cope with flooding, such as commercial-grade water pumps...Upgrades to infrastructure also mean good news for the construction sector..."

The textile industry - think fabrics and clothing - may also be affected since major exporters like Bangladesh, Indonesia, and the Philippines, which supply 10 percent of the textiles and clothing imported by the United States, are vulnerable to coastal flooding.

Sea level is a macroeconomic issue. It has the potential to affect output and income across the global economy. Investment managers who take a top-down approach to investing consider the ways in which macroeconomic factors, like changing sea levels, could affect the market as a whole, as well as the share prices of specific companies. Bottom-up investors take a different approach. They consider company fundamentals, such as management team and earnings growth potential, first.

### Weekly Focus - Think About It

"They always say time changes things, but you actually have to change them yourself."  
--Andy Warhol, American artist

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\* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be

representative of the stock market in general. You cannot invest directly in this index.

\* All indexes referenced are unmanaged. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

\* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

\* The 10-year Treasury Note represents debt owed by the United States Treasury to the public.

Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

\* Gold represents the afternoon gold price as reported by the London Bullion Market Association.

The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.

\* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.

\* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

\* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.

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