

“Just how hot was it?”

By Tommy Williams, CFP®

Did last week mark the start of a new policy for the Federal Reserve? The U.S. Federal Reserve has a reputation for providing little transparency about the timing and direction of potential rate changes. That reputation was challenged last week. In back-to-back speeches, two of the three most influential members of the Federal Open Market Committee (FOMC) – Federal Reserve Vice-Chairman Richard Clarida and Fed Bank of New York President John Williams – made a case for lowering the Fed funds rate to support economic growth.

When asked about Fed officials' comments, a currency strategist cited by Financial Times said, "...*the communication we received seemed in many ways to be a coordinated attempt to signal the market given its timing and context...*"

The magnitude of the change remains a mystery. Barron's reported debate remains over whether the Fed will cut rates by 0.25 or 0.50 of a percentage point. On Saturday, the CME FedWatch Tool

reported a 77.5 percent probability of a 0.25 cut.



Tommy Williams

There was some positive economic data last week, including an uptick in U.S. consumer spending and positive manufacturing data from the Philadelphia Fed's July survey, reported Barron's. However, the Conference Board Leading Economic Index® declined, indicating growth may remain slow during the second half of the year. The index combines 10 individual leading indicators in an effort to reveal patterns in economic data.

On a topic probably more important to you, how hot was it last week? If you were in a region of the United States that didn't experience some of the hottest and most humid

weather in years over the past weekend, you are very fortunate. The Washington Post reported, "The heat wave...comes in the midst of what may turn out to be the hottest month Earth has recorded since instrument records began in the late 19th century..."

So, how hot was it?

It was so hot:

- The National Weather Service staff in Nebraska attempted to bake biscuits inside a car, reported UPI. The biscuits didn't bake through, but the tops were crispy. The temperature in the pan reached 185 degrees Fahrenheit.

- Paved roads were melting in France and Germany. Deteriorating road conditions caused Germany to impose speed limits on the Autobahn, which usually has no limits at all.

- Bicycles melted and police were called to restore order at public pools in Berlin, Germany, according to tweets cited by Buzzfeed.

The U.S. heat event subsided in some locations. However, Forecasters warned the heat index could rise as high as 115 degrees in other places. If you are in an area afflicted by extreme heat, the National Weather Service advises staying out of the sun, remaining in air-conditioned places, drinking plenty of water, and checking on older or disabled friends and relatives.

Though a study of history is not always the best way to predict the future, there is one thing that has a history of not being hot in August. That is the stock market. The worst performing month for the S&P 500 since 1994 has been August. The stock index has suffered an average loss of 0.6% (total return) during August over the last 25 years (1994-2018). The best performing month since 1994 has been April, gaining an average of +1.9% (total return). The S&P 500 consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value weighted index with each stock's weight in the index proportionate to its market value. We'll soon know if recent momentum can make this year an outlier. That is, can the

heat in the stock market continue?

And just because I think it is an amazing statistic, and last week's Baseball Hall of Fame Induction Ceremony reminded me of it, here's something I want you to know (or recall). Over a 2-month stretch between June 2, 1968 and July 30, 1968, St. Louis Cardinal pitcher Bob Gibson started 12 games, pitched 12 complete games, and won all 12 games. Now how hot is that!

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful. Performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. Investing involves risk including loss of principal. This material was prepared in part by Carson Group Coaching.

Visit us at www.williamsfa.com. Tommy Williams is a CERTIFIED FINANCIAL PLANNER™ Professional with Williams Financial Advisors, LLC. Securities offered through Private Client Services, Member FINRA/SIPC. Advisory Services offered through RFG Advisory, a Registered Investment Advisor. Williams Financial Advisors, LLC, RFG Advisory and Carson Group Coaching are separate entities from Private Client Services. Branch office is located at 6425 Youree Drive, Suite 180, Shreveport, LA 71105.