

MARKET WATCH

Market Index	Close	Week	Y-T-D
DJIA	33,426.63	+0.38%	+0.84%
NASDAQ	12,657.90	+3.04%	+20.94%
MSCI-EAFE	2,116.28	-0.47%	+8.87%
S&P 500	4,191.98	+1.65%	+9.18%

Today's Topics

Market Outlook - Debt Ceiling Thoughts and Breakdown

Key Market Levels

This Week / What We Are Watching

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Market Outlook

Debt Ceiling Drama Breakdown

Financial markets are closely watching budget negotiations in Washington D.C. so that is where this week's newsletter will focus.

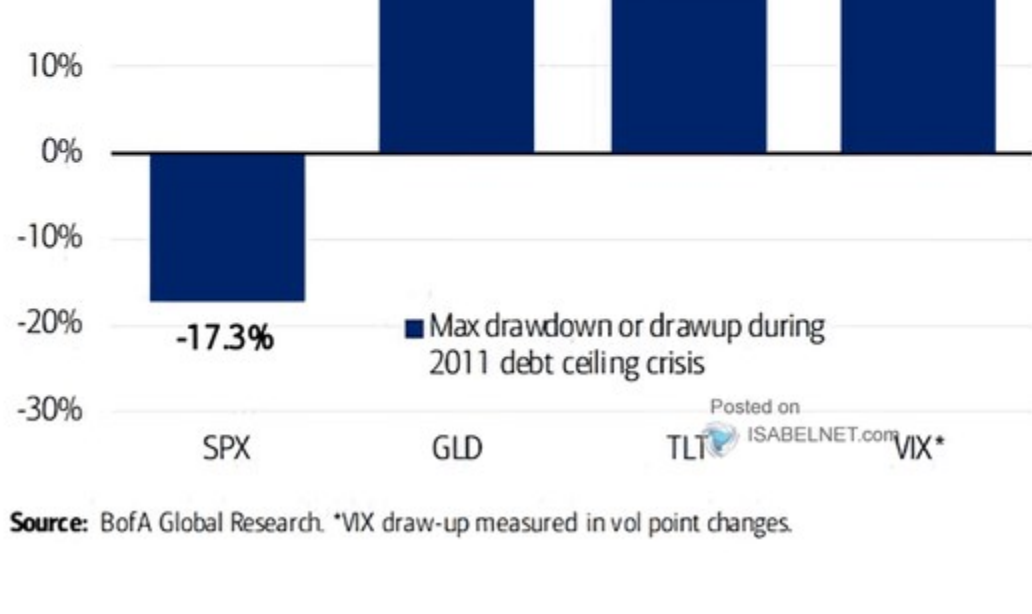
Background and 2011 Comparison

First off, the US has never defaulted on its debt so it's not exactly known what the full effects would be in the short run and long run. Across the board though, most economists and market strategists say it would be highly disastrous for the economy and financial markets.

We went through this drama and stalemate in 2011 where lawmakers eventually made a deal to raise it at the very last second. Midway into 2011, the S&P 500 fell -17% over a three-week period during the debacle, but ultimately rallied into year-end to finish that year flat from a return standpoint.

Exhibit 9: The debt ceiling crisis of 2011 triggered sharp moves across asset classes and caused a large spike in vol

Max drawdown or drawup around the Jul-Aug 2011 debt ceiling crisis



Source: BofA Global Research. *VIX draw-up measured in vol point changes.

In the unlikely event we default, what would happen to stocks and bonds?

There wouldn't be many good options for investors to protect themselves from the shock waves created from a default.

Naturally you'd think investing in other countries' stock markets could be the answer, but even those markets will likely get hit hard if the US defaults.

Counterintuitively, US Treasury yields would likely fall in the immediate aftermath as investors move out of riskier assets in favor of US Treasury bonds. Over the intermediate and longer run, you'd expect yields would rise though but even that dynamic isn't certain because a default hasn't happened before.

Moody's recently said that if the US defaulted the national unemployment rate would likely rise to 8%, and the S&P 500 would drop -20%.

Final Thoughts

We do believe a deal or extension will eventually get done even if it is at the last second, so we don't recommend making any rash investment change decisions to avoid a whipsaw scenario like 2011. Should our thoughts on this change we will communicate that with you and act accordingly from an investment standpoint.

MARKET SUPPORT



The next level of resistance to watch for the S&P 500 on the upside is at 4,200.

The next levels of support to watch for the S&P 500 on the downside are at around 4,100 and 3,800.

These are key technical levels we look for the market to either hold or push through when look at the potential for future moves. Common support levels can be the 50- and 200-day moving averages as well as other technical levels such as previous market highs or lows.

WHAT WE ARE WATCHING



The following economic data is slated to be released during the week ahead:

Monday: --

Tuesday: New home sales (Apr.)

Wednesday: FOMC meeting minutes from May meeting

Thursday: Weekly initial jobless claims, Q1 GDP (2nd reading), Pending home sales (Apr.)

Friday: PCE Inflation Report (Apr.), Consumer Spending and Personal Income (Apr.), Univ. of Mich. Consumer Sentiment index (May final)

UPCOMING EVENT



7 Things No One Tells You About Retirement

Date: May 24th

Time: 5-6pm MT

Location: Zoom

Join us for an eye-opening look at what life might look like after work and develop a more personal and creative approach to everyday life in retirement. Learn the '7 things no one tells you' and gain insight into the next chapter!

What is your path to a successful retirement?

- Retirement is an emotionally charged topic.
- There is no single, universal definition for a successful retirement.
- A successful retirement isn't one without problems but rather one in which you learn to overcome them.
- Resilience, positive mindset and support are key.

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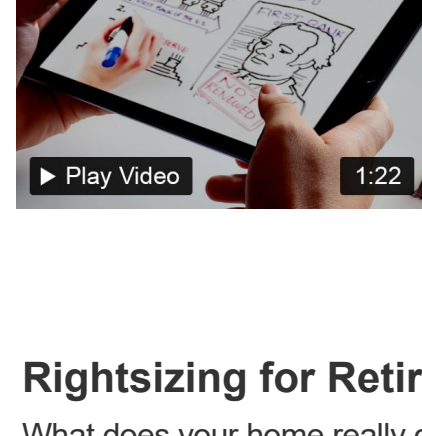
How to sign up for paperless in Account View 2.0:

Log in to your Account View profile, and select "paperless" at the top to select your paperless settings—it takes less than five minutes!

If you need additional instructions, click below for the how-to guide for details. If you have any questions, please feel free to call our office.

Log into Account/View

Guide



The Fed and How It Got That Way

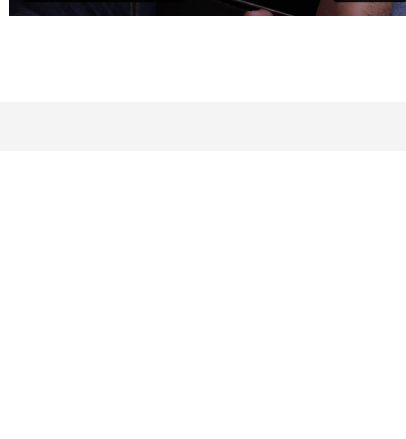
Here is a quick history of the Federal Reserve and an overview of what it does.

[Learn More](#)

Rightsizing for Retirement

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