CLEAR PERSPECTIVES
FINANCIAL PLANNING, LLC

QUARTERLY UPDATE

July 2019

It's a sultry summer in Cincinnati! We hope you've had a chance to get away and relax recently. At the very least, enjoy a cool beverage as we review the market, reveal some money-saving tips, and provide some special updates for our clients.

– Carol Hoffman & Tim Grout

Market Overview

Volatility returned to the stock market in the second quarter, as uncertainty surrounded international trade, the future interest rate policy, and the U.S. economy. April returns were strong, as often happens, followed by losses in May. Then the Federal Reserve indicated they might reduce interest rates, leading to a big June recovery (more on that below). The S&P 500 was near a new 52-week high in the first half of July.

Index Returns	Q2	2019
S&P 500	4.3%	18.5%
MSCI ex-U.S.	3.8%	13.6%
U.S. aggregate bond	3.1%	6.1%
3mo. treasury bills	0.6%	1.2%

Morningstar index returns through June 28, 2019

Interest rates: The stock market awaits what many expect to be the first Fed rate cut in over a decade at the end of the month, as Federal Reserve Chairman continued to drop hints of such at the June meeting. To do nothing would upset the current market expectations, and Powell will not want to be blamed for the "mistake" that pushes the economy into recession. The stock market loves interest rate cuts because, theoretically, it encourages business and consumer spending. The downside risk is that the federal funds rate is already below average, so the forecasted interest rate cut of a quarter to a half a percent will leave very little room to boost the economy further in the event of a recession.

International: President Trump announced new tariffs on Chinese goods in May before a truce was called at the G20 summit. Talk of more tariffs continues, though. Brexit is also still unresolved, with a new Prime Minister being appointed next week. The key question for the UK and the EU is 'Deal or No Deal?' and if no deal, will there be a new general election on Brexit?

Fixed Income: The U.S. aggregate bond index repeated the first quarter by returning another 3%. Longer-duration bonds outperformed as the market anticipates future rate cuts and slower economic growth.

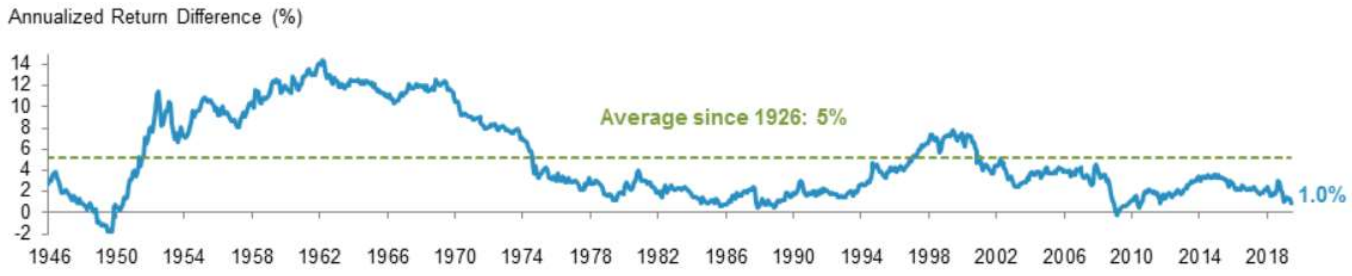
Global landscape is clouded by trade uncertainty

Trade tension between the United States and China escalated during the second quarter, causing additional concern about global growth slowdown. The world's major central banks, including the US Federal Reserve, signaled a shift toward lower interest rates to ease business markets. These factors stoked volatility in global equity markets, while government bond yields dropped further. The good news is that as bond yields drop, prices increase, so the total return on bond funds is in the 4-6% range year to date, depending on the bond type and risk level.

	MACRO	ASSET MARKETS
Q2 2019	• Signs of lackluster global growth and escalating U.S.-China trade tensions spurred a further dovish shift in monetary policy expectations.	• Global government bond yields continued to drop, while global equities posted gains.
OUTLOOK	• The U.S. is firmly in the late-cycle phase, though near-term recession risk remains low. • Policy easing has stabilized China's economy, but a material reacceleration is unlikely. • The Fed's more dovish tone provides near-term relief, but the global monetary backdrop is still tighter than two years ago. • Trade-policy uncertainty is an ongoing drag on corporate confidence.	• Late-cycle phases typically exhibit higher volatility, a more asymmetric risk-return profile. • Wide dispersion of outcomes warrants smaller allocation tilts than earlier in the cycle. • Prioritize diversification amid significant uncertainty.

Investment corner: Strong bond returns

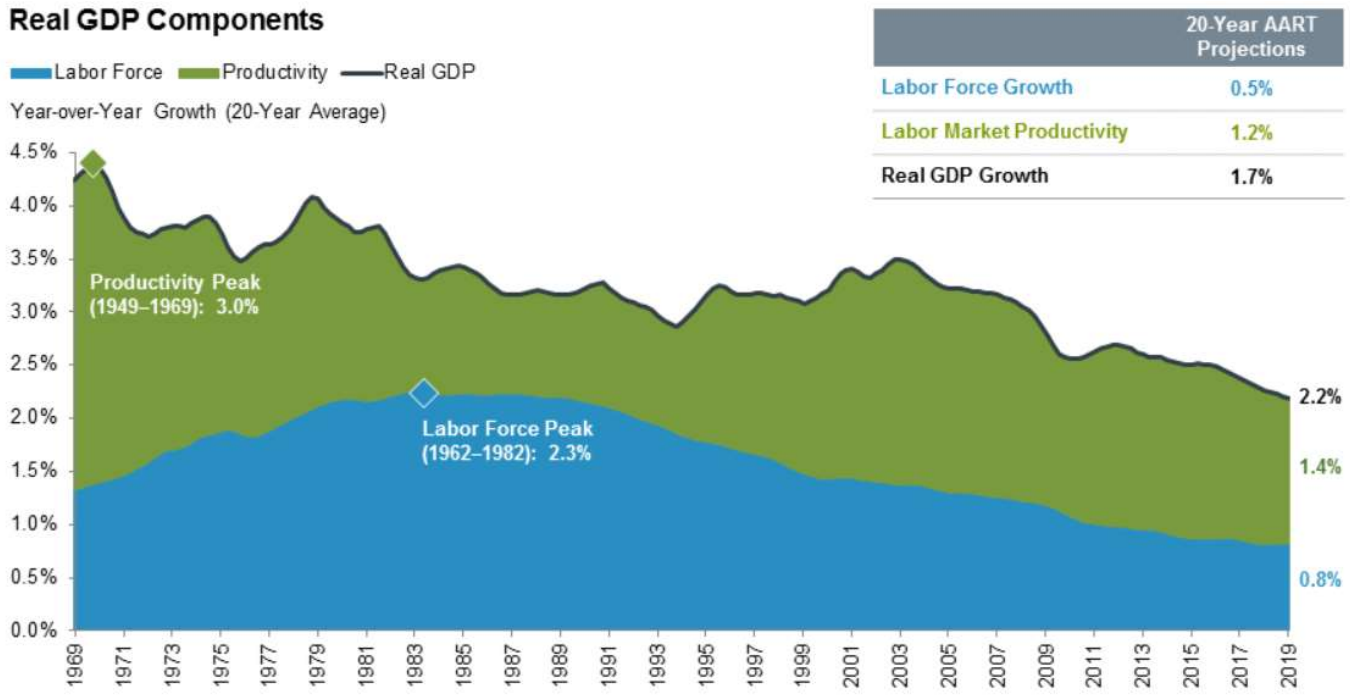
Interestingly, the second quarter saw both bonds and equities rise together, with a minimal performance difference of about 1% between the total U.S. stock market and all investment-grade bond returns. The chart below shows the difference in returns over time, and how the difference is currently at a low point in the historical 20-year moving average difference in returns. Investors are seeing the beginning of strong returns on bonds.



Data as of 6/30/2019 from Bloomberg Finance L.P., Haver Analytics, Fidelity Investments (AART).

Slower population growth means slower economic growth likely in the long term

Labor force growth year-over-year (blue area below) was highest in the 1960s-70s from the post-war baby boom coming of age. Population growth has decelerated since then. Since 2000, nearly half of labor force growth has come from immigration. Due to the aging population and slowing population growth, it will be difficult for real GDP growth to return to the historical average since World War II of 3%, even if the productivity growth rate (green area) should begin to accelerate again. What economists can't currently explain is why productivity growth has slowed, in addition to population growth slowing.



	20-Year AART Projections
Labor Force Growth	0.5%
Labor Market Productivity	1.2%
Real GDP Growth	1.7%

Data as of 6/30/2019 from Bureau of Economic Analysis, Bureau of Labor Statistics, Haver Analytics, Fidelity Investments (AART).

Surprising security lesson behind the cheap smart TV

Not too long ago, a standard 27" color television was the equivalent of over $3,000 in today's dollars. Nowadays, a higher-quality and bigger television costs a fraction of that - and it's not *only* because manufacturing costs went down. One of the reasons "smart TVs" are more affordable today is because they collect viewing data that advertisers are willing to pay for. This helps subsidize costs and keep prices low. In much the same way, leveraging your personal data allows many online services to be offered for free—at the cost of your private data.

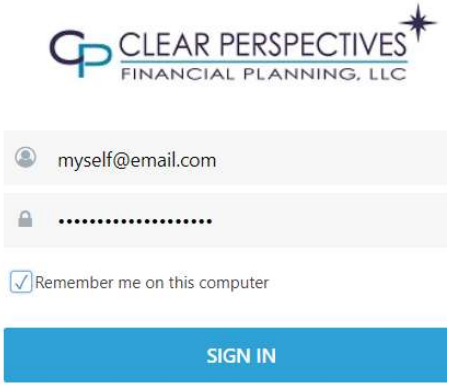
Simply knowing that your data and vulnerabilities are floating around is the first and most significant step towards defending yourself from ploys to separate you from your money. If your smart TV makes you uncomfortable, Consumer Reports shows some ways to rein them in them at link.cpplan.com/SmartTV.

Use proven psychological tricks on yourself to save money

Retailers use psychological tricks on customers, like preying on their fear of missing out, and encouraging impulse shopping. You can counter with a few tricks of your own:

1. If you are thinking about buying something on sale that wasn't on your radar before, consider instituting a 24- or 48-hour freeze before making the purchase. You might miss out on the deal, but chances are if it wasn't on your shopping list before, you don't actually need it.
2. Do some comparison shopping before you hit buy to make sure you're actually getting the best price. You can also shop at second-hand or thrift stores instead if you're looking to become a more sustainable shopper, or buy something from a local store in your neighborhood if you want to support a small business.
3. And if you've filled up your shopping cart and are getting ready to make the purchase, think of the total in terms of how many hours it would take you to pay it all off. If you earn $1,000 per week and your purchases add up to $200, ask yourself if they're worth a full day of work.

Special news for Clear Perspectives clients



Your **quarterly fee statement** from Clear Perspectives is now available online in your CP portal, which is also where you can see your account balance, performance, and other fun stuff. Hit the "CP" icon in the top right of our website *www.cpplan.com* or bookmark the direct portal link *https://clearperspectiv.portal.tamaracinc.com* to see your accounts and fee statements ("Documents") any time. Note that our name is shortened in this link.

Welcome to new part-time team members **Heather Kenneweg** and **Jannelle Moore**! Heather and Jannelle work behind the scenes to help ensure we capture all the vital information from your client meetings and tax returns.

Deb Thocker sends a sincere thank-you to all of you asking after her health! She is recovering from surgery for a ruptured disc and is on the mend. She plans to slowly return to work a few hours a day as the summer progresses and she feels up to it.

Meanwhile, thank you for always copying several of our team members on emails, so we do not miss any of your messages! Each of our emails is our first name (Carol, Tim, Deb, Rob, Kate, Mike, or Jennifer) followed by @cpplan.com.

Please contact us with any of your financial questions or needs. Thank you for your continued support.

Carol & Tim and your Clear Perspectives team

Credits: Market overview by Mike Schelle. Global landscape and economic growth articles from Fidelity Investments. Bonds article by Kate McInerney with image from Fidelity Investments. Smart tv article by John McInerney. Saving money article adapted from Alicia Adamczyk on cnbc.com.

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