August 2, 2019

Dear Investors,

In my letter two weeks ago, I suggested that the market bubble appeared to be bursting. The July 15th highs showed signs of weakness on low volume which led to a brief decline. As often occurs after new highs, a brief decline is met with more buying on even lower volume. Last week, the markets hit new all-time closing highs on Friday. However, selling intensified this week on rising volume. The markets appeared to have completed all three wave patterns that I discussed two weeks ago. The coming week could determine how low or long this trend will continue.

The Dow Jones Industrial Average lost 707.44 points, or -2.6%, this week to close at 26,485.01, and is up 13.5% this year. The S&P 500 Index suffered its worst week of the year losing 93.81 points, or -3.1%, this week to close at 2,932.05, and is up 17.0% this year. The NASDAQ Composite also suffered its worst week of 2019 losing 326.14 points, or -3.9%, this week to close at 8,004.07, and is up 20.6% this year. The Russell 2000 lost 45.31 points, or -2.9%, this week to close at 1,533.66, and is up 13.7% this year. Gold rose sharply this week up $34.00 an ounce to close at $1,452.50, and is up 13.1% this year.

The Federal Reserve lowered interest rates for the first time in 11 years. The 0.25% reduction along with the announcement that it would halt the quantitative tightening policy of reducing its balance sheet seemed to dampen the enthusiasm on Wall Street. Then President Trump announced additional tariffs on China as the trade war escalates. The markets have run up since May hoping for larger interest rate reductions and a trade agreement with China. Now it appears that the Federal Reserve may not lower rates much more and that China may be delaying a trade agreement until next year's Presidential election. The possibility of prolonged tariffs has spooked investors from the stock market at the current lofty levels. On Friday, the August Jobs report showed that 164,000 jobs were added last month. The prior two months were revised lower by more than 40,000 jobs. However, 90% of the so-called new jobs in July were estimated from the guess that 148,000 new businesses were started last month. The report also stated that the average hours worked dropped but the labor participation rate ticked up to 63%. Most of these numbers were in line with expectations and may not lead to further interest rate cuts.

From a technical aspect, it looks as though the markets peaked last Friday, July 26th, which was the tail end of the Fibonacci phi mate cluster. Two weeks ago, I wrote that short-term signals turned to sell signs after the S&P closed at 3,014. The markets dipped a bit and then had one last pop higher into last Friday's closing highs. The S&P 500 has fallen about 4% since last week's highs. The 50-day moving average seemed to stop this week's decline which may lead to a small corrective bounce. The selling could continue into early next week as margin calls often force selling after a decline from over-bought levels. Tthere is a high probability that the broad market index will retest its 200-day moving average, about 2,800, in the next two weeks. The markets are on the verge of

generating a longer term sell sign. If that occurs this week, then we could see a multi-week decline retest the December lows wiping out most of this year's gains.

This may be a good time to reallocate your portfolio and take some profits. It is time to avoid the temptation of market greed and the fear of missing the rally. We can help you create a retirement plan to provide lifetime income. If you have any questions, please call our office for a no obligation financial review. Visit our website for more information about our B.E.L.I.E.V.E. wealth management approach.

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Fibonacci Phi Date (also known as Fibonacci Time Extensions) is a technical indicator used to seek to identify the timing of significant price movement in the market, and is based on the Fibonacci Number Sequence.

The Hindenburg Omen is a combination of technical factors that attempt to measure the health of the NYSE, and by extension, the stock market as a whole. The goal of the indicator is to signal increased probability of a stock market crash.

The McClellan Oscillator is a market breadth indicator used in technical analysis by financial analysts of the New York Stock Exchange to evaluate the balance between the advancing and declining stocks.

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The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors.

The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market.

The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.

The Blue Chip Index is a stock index that tracks the shares of the top-performing publicly traded companies. These indices are unmanaged, which cannot be invested into directly.

Precious metal investing involves greater fluctuation and potential for losses.

Past performance is no guarantee of future result.