

## Market Recap Q2 Jerry Chafkin – AssetMark CIO

The first half of 2019 has been exceptional given the current economic expansion is entering its 11th year and is now the longest on record. Current US large cap stock prices are slightly above their 25 year average suggesting they are not significantly overvalued and could continue to climb this year. Earnings growth has slowed to a crawl but it is still growing.

Clark Capital Review

Index	Q2 2019	YTD 2019	5 Year	10 Year
S&P 500	+4.30%	+18.54%	+10.71%	+14.70%
MSCI ACWI	+3.61%	+16.23%	+6.16%	+10.15%
Barclays Global Bond Agg	+3.27%	+5.75%	+1.17%	+3.21%
Bloomberg Commodity	(-1.19%)	+5.06%	(-9.15%)	(-3.74%)

In unpredictable markets like these, the best guidance we might be able to provide investors may be to challenge them to think now about how they would change, or even, whether they would change, their investment strategy if their fears of a stock market decline happened. The global economy, although slowing, is not dead, nor is its growth. Companies will once again resume their growth and as shareholders we can expect to share in those profits. Even though tweets, politics and disappointing Fed expectations can create uncertainty for investors today, in the long run, their impact is fleeting on long-term economic growth across the world in which disciplined investors are likely to participate.

## What is the Fed's Job?

The "Fed" (Federal Reserve Bank), now over 100 years old, is the central bank of the United States. Its job includes maintaining price stability (keeping inflation around 2%), keeping unemployment low as well as ensuring the soundness of our country's banking system. One of the primary tools in their toolkit is adjusting interest rates because it affects everyone and everything. It affects bank savings and CD rates, as well as credit card rates, auto loans, business loans and investment, etc. It's a very big deal when the Fed changes rates.

And, they must walk a very fine line in order to not speed up or slow down the economy at the wrong time. Once the genie is out of the bottle, it's very hard to get her back in. Last year's very difficult 4th quarter in the stock market is attributed by many to the Fed increasing rates too many times last year.

Today, inflation is in check and we have the lowest unemployment rate in over 50 years. Should the Fed do anything at the upcoming meeting? Rob Keller, our Clark Capital Portfolio Strategist, feels they will decrease rates slightly. This has the effect of making risky assets like stocks more attractive than alternative investments like lower paying bank savings and bonds. Rob also shared that it likely means the risk of a recession occurring in the near future is low. One more reason to stay the course.

Disclaimer: This material represents an assessment of the market environment at a specific point in time and is not intended to be a forecast of future events. Index returns are for illustrative purposes only. Indexes are unmanaged and cannot invest directly in an index. Past performance does not guarantee future results.

## Welcome to MyRepChat

Text Messaging with KSH Advisors is now available



We are excited to introduce this new convenient way to communicate with KSH Advisors. Your text messages will be securely sent and archived through KMS Financial Services using this fully compliant and integrated short message service (SMS) texting platform.

It is super easy to use, just text a message to our new MyRepChat number, 425-434-9800. We are looking forward to hearing from all of you! An instruction sheet with more details of exactly how the system works is included and if you have any questions, please just give us a call.

When to use this new text messaging system:

- Whenever you would like to discuss or have any questions regarding your investment accounts held at KSH Advisors.
- Any time you want to communicate with Kathy via text message.
- If you need to Speak directly with Kathy, please call her cell phone number 425-269-8916.

## Is Too Much Cash a Bad Thing?

From a financial standpoint, it can be. There are many types of risks but the one that most people hear about constantly is the risk of "losing" money in the stock market, the risk that the value of your investment, your principal, will be worth less today than it was yesterday based on short term market activity. I realize that this is quite uncomfortable for some people and so they may hold larger cash balances than may be wise.

There are other risks that are harder to see and feel that can be quite damaging over time. Inflation risk is one such risk. It affects your "purchasing power", your ability to keep up with the rising cost of groceries, gas, food, prescriptions, etc. Over time, it has the effect of reducing your lifestyle if you aren't careful. The return that cash balances earn today is not enough to cover inflation costs. So, if you only held cash, the same amount of money this year would buy less groceries and gas next year.

How much is enough cash to be comfortable but not so much cash as to be damaging over time? As a base case, plan for 3-6 months of living expenses. If you are especially conservative, you may want to park 6 months of such expenses in your bank savings account plus any additional funds you feel are important for your unique situation. Maybe it's an uncertain health situation or a pending purchase.

As Chuck Jaffe recently said, "Cash is king for what you need to buy now, but diversification is king when it comes to riding out markets and building wealth over time and with a ride you can stomach." I do agree.

**KSH Advisors Great Pumpkin Growing Charity Challenge**



Even though summer has been a little cool and cloudy, pumpkins are flourishing. The light rain and the warm weather have been great for getting them going. Here are some pictures of the participants. Remember the gestation period for the pumpkins is about 120 days. These seeds were all planted at different times so do not be concerned if yours don't look quite as robust as some. There is still plenty of time until judging is finalized.



**Kathy's Corner – I Love County Fairs!**

Elizabeth and I had an amazing day recently with our client, Cathy, and her daughter Eileen, at the Whidbey Island Fair. It's not too big, not too small, it's just right. We were the first ones through the gate at 9 AM and immediately stopped for hot mini doughnuts off the press. We sewed a scrap square for a veteran's quilt for veterans, watched the wonderful 4H kids show their dogs, talked to others about guinea pigs, pigs and rabbits (how did I miss my favorite – the cows?), smelled all the wonderful smells and then we were off. Lunch in Langley, visit to their Keystone cabin and finally, a fresh raspberry buckle at their Langley home with never ending views. A perfect day with special people!

