

THE \$TRATEGIST

It's Hot, Hot, Hot!

By Tom Wargin CFA, CFP®

The stock market has scorched upward in the first six months of this year, making it the best start in over 22 years as record heat also grips the world in July. In addition, the bond market is up as the anticipation of falling interest rates by the Central Banks has flipped the script from late last year. While that is occurring, the IPO (initial public offerings) market is going crazy as everybody is trying to buy the next Amazon. Time will tell if Snap, Uber, Lyft or who knows which company will soar. This is beginning to remind me of 1998 or 1999 as a precursor to the market collapse in 2000.

As interest rates inverted slightly when the rate on the 3-month treasury became higher than the rate on the 10-year treasury bond, the big question on a contrarian investor's mind is: When is the next recession coming?

There is usually a 12-18 month lead time from inversion to the actual start of a recession so a market collapse does not appear imminent. Vanguard recently did up their probability of recession from 30% to 40% in the next 12-18 months, but they caution that they do not see it

as their base case yet because Fed policy hasn't become fully restrictive.

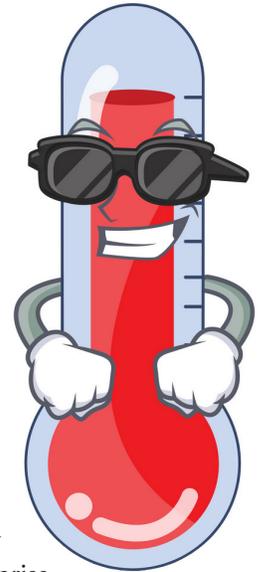
In addition to interest rates, the economy is slowing and GDP growth rates are coming down as Vanguard lowered its expectations from 2.0% to 1.7% by the end of the year and other firms and economists are lowering theirs also. Concern is coming from weakening job growth and housing market.

As for the international outlook, Chinese growth rates are slowing and few are betting that the U.S./China trade dispute will be settled shortly. Brexit is still an issue and we'll see if Boris Johnson can work something out better than Theresa May was able to. Geopolitical uncertainties and fears of another 2008 have made many investors quite skittish.

We have received calls from some expressing those same thoughts. Our strategy at this time: we are trying to be at 65-70% of our normal equity allocation. We are also staying overweight in short-term income, but for our more aggressive clients we are adding some intermediate to long-term income holdings.

Playing the economist and looking "on the other hand," since there is a 12-18 month lead time before recession or a 6-12 month lead before a possible market decline, the market may continue to surprise on the upside in the near term as the Fed follows through and does lower interest rates. This raises the question in my mind of whether 2019 will look more like 1987, 1998, or 1999. So far 1998 or 1999 looks like a better comparison.

Both 1987 and 1998 had large stock declines during the year but recovered most or all by year-end. While 1999 didn't have a large decline, it epitomized "irrational exuberance" and later got the moniker "dot com bubble." What will be the title that gets applied to the end of this cycle? Stay tuned!



Planning Notes

By June Ann Schroeder, R.N. CFP®

Robocall Reduction?

Four illegal robocall companies have been shut down by the FTC. Together they made billions of unwanted, illegal calls pitching fake home security systems, auto warranties and charities, to name a few.

Online Banks: Better Than Brick and Mortar

According to research by JD Power, overall customer satisfaction was higher for online banks, with Charles Schwab bank scoring the highest.

Health Spending Slowing

Personal spending on health grew at a slower rate in 2017 (the latest available) than any year since 2013. Average annual personal spending in 2017 was \$10,740 per person. This sector represents 17.9% of the total U.S. economy.

Medicare Coverage: There's an App for That!

You can now download a free app for Android or iOS that tells you whether Medicare Part A or B will cover a specific medical test or service. This is the same information available on the medicare.gov website, BUT you have to enter the word or phrase the way Medicare uses it to get any results. There is an A to Z list of all items and services that is helpful if you don't know the right terminology. (If you have a Medicare Advantage plan, call the plan directly as coverage may differ than traditional Medicare.)

Rising Cost of Textbooks

From 2006 to 2016, costs rose 88%, even with digital options supposedly making texts less expensive. Plan for an average of \$1,200 per year for books and other college course materials for the humanities, but expect more for science, technology, engineering, and math.

Do You Give Your Kids An Allowance?

According to Rooster Money's annual report on its users, allowances averaged \$471 in 2018, up 3.7% over 2017. Those kids also saved an average of 42% of their weekly allowances, compared to 2.4% that the average adult saves!

Cash Is Not King Anymore

Nearly 30% of Americans say they make no cash purchases during a typical week, as reported by a recent Pew Research Center survey. The U.S. lags behind European countries where some say that only 2% of transactions are conducted in cash! China and India are also moving quickly to cashless. This is the wave of the future with younger generations using less and less cash. There is a trade-off, however, and that is giving up anonymity for marketing ploys and increased potential for remote hackers or data thieves.

Client Alerts

By Shannon Nook, FPQP™

Coming Soon

Watch for our new client portal, where you can digitally access our correspondence and reports on your accounts, through our web-based Advyzon software. We will begin by securely posting the year-end reports and newsletters there. Advyzon will automatically email you on two occasions:

- When your new client portal account is activated. STAY TUNED!
- Anytime we post a document or folder to your personal client portal/vault.

NOTE: Don't worry if you prefer paper. Those of you with no email address on file will continue to receive these via regular mail.

Featured Artist: Kurt Noeske



risk, it might be enough to encourage others to take action.

Kurt Noeske has always found nature to be fascinating. Over the past few years he has developed a passion for photographing the environment, whether it is a tranquil sunset or wildlife in motion. Nature conservation is very important to him and he feels that if he can share a few beautiful images of what is at

The Liberty Team Art Show aficionados discovered Kurt at Artworks Art Show 2019 at the Waukesha County Expo. His spectacular landscapes featuring Wisconsin nature scenes filled them with a desire to escape to these not-so-faraway places. Perhaps that's how they will affect you when you see them at our office. You can also visit staticvisualsphotography.com to see more of Kurt's work.



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