BARKOW WEALTH MANAGEMENT GROUP of RAYMOND JAMES®

2019 Third Quarter Commentary

The first three quarters of 2019 have produced attractive returns for investors based on the major averages. In the US equity markets, the S&P 500 Index has returned 18.15% on a year to date (ytd) basis for the first three quarters. In the US bond market, the Bloomberg – Barclays Aggregate Bond Index has returned 8.47% for the same period as well. So overall, this year should have provided investors pretty good returns so far.

As we face the fourth quarter, we are reminded of the market's performance in the fourth quarter of 2018. As you may recall, the equity markets fell substantially and the S&P 500 Index was down 14.25% for that period. Fear of a repeat performance has many analysts and investors concerned.

To be sure, there are several issues that cannot be overlooked that could derail the US equity markets. At the top of this list is the renewed focus on impeachment proceedings against President Trump. This will most certainly occupy the news cycle for a period and will raise uncertainty, which is often the bane of continued market performance.

Other issues that are on the forefront of concern include fears of a recession in the US or Europe, the ongoing developments in trade talks between the US and China, as well as the US and Europe, the recent bombing of the Saudi Oil refinery and the possibility of escalation, and the possibility of the peaceful demonstrations in Hong Kong escalating, becoming more violent, forcing China to be more aggressive in their response.

It is our opinion that the US economy continues to experience moderate growth and that a recession is not on the horizon. The recent interest rate cut by the Federal Reserve further helps to reduce recession risk. It is our expectation that the corporate earnings to be announced during this quarter will generally meet or beat analyst's expectations although forward guidance will remain cautious. Earnings should support continued growth in the US. Furthermore, employment remains robust, and so far we are not seeing significant pressure to increase wages and resulting inflation. We expect that ultimately corporate and government spending will continue to support growth in the US. It is our opinion that it is unlikely that the US economy will move from growth to recession while in a full employment phase.

On the other hand, a recession in Germany could spill over through Europe and create some additional risks here. The EU is still dealing with Brexit which has a deadline of October 31, for now. Recent US - China talks seemed to end poorly and there remains much uncertainty as to how the US and Saudi Arabia will respond to the attack on their oil facilities.

We believe that investors should be prepared for increased volatility in the coming months, but generally see market weakness as a buying opportunity as our base case suggests that the administration will (a) not be impeached, and (b) will finally execute a trade deal with China before the election, reducing much of the overhanging uncertainty.

Now is an excellent time to review your comfort with volatility. Think back to how you felt during the drop last year. Were you nervous about the drop in values? Did you sell assets and move to cash, or want to? These are important questions to consider as your comfort with volatility is important to how we build and maintain your portfolio.

It's important that your investment plan is aligned with your personal goals as well as your risk tolerance. Periods of volatility such as we've recently experienced often provide for a re-evaluation of risk tolerance. Have your goal or time horizons changed over the past year? Have there been events in your life that will change your outlook?

This is the time of the year to begin thinking about year-end strategies for reducing taxes. Some of these strategies include:

- Tax loss selling (if needed)
- Taking gains and rebalancing (if applicable)
- Charitable gifting from IRAs (if you are over 70)
- Making contributions to charities or Donor Advised Funds using highly appreciated assets (if you are philanthropic)

It's also important to review your overall asset allocation and to evaluate whether your portfolio is still positioned appropriately. Now is a good time to make decisions about adjustments and rebalancing that may be needed to realign your portfolio.

Sincerely,

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How are your friends and family members coping with this market volatility?
Are they looking to the future with anticipation or apprehension?
I am happy to be a sounding board. Contact me to learn more about this complimentary service.

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