



Soundings

What's New - July 2019

Quote of the month:

"To Be, Rather Than to Seem." Motto of the Granite Mountain Hotshots

Kathleen and I made a somber hike up the trail built to honor the 19 heroes lost six years ago at the Yarnell Hill fire in Arizona. The Hotshots answered the call, as they always did, to save people and property in the rugged mountain environment about 90 miles northwest of Phoenix. A sudden 180-degree shift in the monsoon winds fatally trapped all but the lookout and was memorialized by the 2017 film, "Only the Brave." It was a moving hike, broken up every 600 feet by a memorial plaque, each with a photo of a hotshot and a short biography. The 7-mile round trip was highly emotional and ended with the opportunity to ring the fire bell, our final tribute to those men who left it all on the hill. As the saying goes, "All men are created equal, but then, a few become firefighters."

With a tip of the hat to George Zimmer, former CEO of Men's Warehouse, "*You're gonna like the way your June investment statement looks.*" It was a very nice month. How nice? According to Bloomberg, the S&P 500 closed out the month with a gain of 6.9%, bested by the DJIA's 7.2% rise, bested yet by the tech-heavy NASDAQ's chart-topping 7.4% increase. It's been a headline heavy year with no shortage of ups and downs. That said, with the first half of 2019 in the bag, the ups have come out decisively on top as you'll see from data on the following page. Where we go from here, as always, depends on a number of factors, many of which will be addressed in the Market and Economic commentary on page 3.

In this month's ***Market & Economic Commentary***, I've placed a piece by First Trust Chief Economist, Brian Wesbury, who chronicles the current bull run, the longest in history. He makes the case for continued optimism despite a likely siren song of doom from the financial press. First, the numbers...

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Market Update - Year to Date Returns

Major Indexes

(As of 7/1/19)*

Dow Jones Industrials	14.0%
S&P 500 Index	17.4%
NASDAQ	20.7%
DJ Global ex US	11.4%
Russell 2000 (small cap index)	16.2%
XAU (gold/silver)	19.1%

* Source: The Wall Street Journal

[D.A.L.I. Page](#)

D.A.L.I. Signals - 07/01/2019

Dom. Equities	Int'l Equities	Fixed Income	Commod	Cash	Currency
295	257	159	149	147	83
27.1%	23.6%	14.6%	13.7%	13.5%	7.6%
(+0)	(+0)	(+0)	(+0)	(+0)	(+0)

Source: Dorsey, Wright & Associates, LLC

- Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect investment performance. Individual investor's results will vary. The Dow Jones Industrial Average (DJIA), commonly known as the "Dow", is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal. The S&P 500 is an unmanaged index of 500 widely held stocks that's generally considered representative of the US stock market. The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ market. The DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices. The Russell 2000 index is an unmanaged index of small cap which generally involve greater risks. The Philadelphia Gold and Silver Index (XAU) is an index of sixteen precious metal mining companies that is traded on the Philadelphia Stock Exchange.
- The Barclays Capital Aggregate Index measures changes in the fixed rate debt issues rated investment grade or higher by Moody's Investors Service, Standard & Poor's, or Fitch Investors Service, in that order. The Aggregate Index is comprised of the Government/Corporate, the Mortgage-Backed Securities, and the Asset-Backed Securities indices. The Barclays U.S. Corporate High Yield Bond Index is composed of fixed-rate, publicly issued, non-investment grade debt, is unmanaged, with dividends reinvested, and is not available for purchase. The index includes both corporate and non-corporate sectors. The corporate sectors are industrial, utility and finance which includes both U.S. and non-U.S. corporations. The Barclays Capital Municipal Bond is an unmanaged index of all investment grade municipal securities with at least 1 year to maturity
- DALI is a proprietary matrix created by Dorsey Wright & Associates, an independent 3rd party. It presents the relative strength relationship of six broad asset classes or "teams", domestic equities, international equities, commodities, fixed income, cash, and currencies. Each are represented by an equal number of ETFs. Each team play against each member of the other teams, with net victories tallied in an effort to rank each asset class team by order of overall strength. Raymond James is not affiliated with and does not authorize or sponsor any of the listed websites or their respective sponsors. Raymond James is not responsible for the content of any website or the collection or use of information regarding any website's users and/or members.
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Market & Economic Commentary

As of today, the current economic expansion is the longest in US history. Ten years and a day. But just because it's the longest doesn't mean it's the best. The expansions of the 1960s, 1980s, and 1990s, all beat it out both in terms of the pace of growth as well as the total growth during the cycle, whether you measure from peak to peak or cycle bottom to the top.

What's more, all the prior long booms had something in common: major shifts toward freer markets in at least some area of public policy. In the 1960s it was the Kennedy tax cut, passed posthumously in 1964, which reduced income tax rates roughly 20% across the board, including a cut in the top rate to 70% from 91%. In the 1980s, the federal government again cut income tax rates across the board, with the top rate on the highest earners dropping to a low of 28%. In the 1990s, the capital gains tax was slashed both directly and indirectly (via lower inflation), while policymakers held down government spending, increased free trade with foreign economies, and reformed welfare.

By contrast, the current expansion happened in spite of tax hikes, more regulation and the aging Baby Boomer demographic headwinds. No wonder it was slow, what we called a Plow Horse.

That doesn't mean we haven't grown, or that we won't continue to do so. Consider the litany of horror stories analysts and investors have obsessed over during the past ten years, dating back to the oft predicted "double-dip" recession. There were fears over foreclosures, defaults on muni debt, commercial real estate, the banking crisis in Cyprus, a China slowdown (multiple times!), Greece leaving the Euro, the Fiscal Cliff, Brexit, Obamacare, hyperinflation from Quantitative Easing, a recession from Quantitative Tightening,....and on and on and on. Regardless of whether your personal politics were conservative or liberal, the bombardment was enough to send many headed for financial cover.

The story that should have held the spotlight these past ten years is entrepreneurs overcoming political obstacles to keep the US economy growing. But that doesn't make for a sexy headline, so don't expect the financial media to give it much heed.

In the past few years, the direction of policy has finally shifted pro-growth, with a deep cut in corporate tax rates, full expensing for plant and equipment, and deregulation. And the US economy responded, with growth accelerating in 2017 and 2018, and on-track for another year of growth near 3.0%.

As long in the tooth as the current expansion is, we don't see anything threatening to derail it anytime soon. Tax rates have been cut, regulatory policy is still headed in a better direction, and monetary policy is not tight. This is consistent with work by the San Francisco Federal Reserve Bank that showed the age of an expansion has virtually no influence on the probability of entering a recession.

We have concerns about international trade disputes but are optimistic that deals will be struck later this year. And government spending is still a problem, but not enough - at least not yet - to tank the economy.

The one thing we can count on is that the next 12 months will include stories of impending doom. We think investors who resist those stories will prosper.

Brian S. Wesbury, Chief Economist, First Trust, Monday Morning Outlook - The Longest Expansion, July 1, 2019

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On a Personal Note

Kathleen and I successfully snuck out of town last month. For the past 5 years, I've made it a point to head west on two wheels, channeling my inner Lewis & Clark. Technology what it is, I can quite literally work from anywhere and have held client meetings from rest areas and truck stops across the country. Kathleen has a more traditional job in healthcare and would typically meet me mid-trip. California one year, upstate New York another, and last year Albuquerque. This time was different. Semi-retirement on the horizon, she was able to use three weeks of accrued paid-time-off to join me for the duration. I led the formation on motorbike, Kathleen was wingman in the truck. It was three days of grueling highway mileage on each end of the trip, with one week in southern Utah and another in northern Arizona. We chose two basecamps in Utah; Moab and Escalante, three days a piece. Historic Prescott was our Arizona base. I posted a daily trip log on the Facebook Page of my sister company, Next Adventure Wealth Advisors. It's a fun read, with tons of pictures to boot. Give it a gander. For a sneak peak, the following are logs from a couple of the more interesting days.

Day 8: This is a working vacation so we didn't push off till late morning. Our basecamp for the next three days is Escalante, UT. The first 100 miles or so was interstate, but once we hit Hanksville, things got really interesting. State road 24 is designated a Scenic Byway and it leads to Capital Reef National Park, one of the big 5 of southern Utah. The roads were incredible, the geology was multi-colored from grey, to purple, to red. Our dopamine pumps were on overload. It was a riding day but I pulled over at the Grand Wash Trailhead so we could get our hike on. It was two miles in and two miles back, an easy hike on a dry riverbed with massive, towering canyon walls on both sides. Steps in, we got back on the road and enjoyed the rest of the park on the go. Scenic Byway 24 meets Scenic Byway 12 in Torrey. Twelve is also given the rare All-American Road classification by the Federal Highway Administration for its features so unique it qualifies as a destination unto itself. That spectacular road traverses one of the most rugged regions of the country, the Grand Staircase Escalante National Monument. Twelve takes the high road above the canyons and the views are jaw-dropping. The 65 miles from Torrey to our destination in Escalante were the highlight of the trip so far. We pulled into town and down the back roads to our next basecamp...the Escalante Yurts <https://www.escalanteyurts.com/> . Now I'd never been in a yurt but if they were good enough for Genghis Kahn, they're good enough for me. A yurt is a circular tent of sorts, its frame is usually wooden and back in the day, it was covered in animal skins. These modern structures are covered with a vinyl-ized canvas, and have all the modern conveniences we soft Americans crave. King sized bed, mini fridge, coffee maker, Flat screen TV, WIFI, gas heater and a/c, and fully appointed bathrooms...we were not roughing it. A few years back, the owners quit their jobs, sold everything, and moved down here with a plan and a dream. We're sure glad they took the risk. After unloading the vehicles, and toasting the day with a couple of beers, we grabbed dinner in town at the Devil's Garden Grill. Holy moly was it good! Started with a tasty local IPA, we split the pork burrito which was stuffed with a pound and a half of Porky's unlucky cousin. Kathleen chose the place and read a reviewer who wrote, they don't have salt and pepper on the tables because you won't need it. The cooks have this cooking thing down. Full and tired, we settled in to prepare for an epic next day.

Day 10: We slept in this morning and I spent the first half of the day catching up on work while Kathleen went into town and replenished supplies...most importantly, bourbon and wine. We had a late morning brunch in the Yurt before riding off with a destination of Bryce Canyon National Park. At our gas stop, we met the most interesting man of the trip so far. As I gassed up, an old man in a ragged old cut-up Sturgis T-shirt, on an equally ragged, rattled-out Harley pulled up beside me. Covered in tats, skin like leather, doo-rag over his long ponytail, the Desert Doctor started to chat me up. He saw the Florida tag on my bike and the stickers on my top-case and said, "I've got something for you" before riding off. A busted card-reader at our pump sent Kathleen to the store and as she returned, so did my new friend with a sticker for my collection and a hand-made miniature metal cross for my key chain. Of course, I immediately applied the sticker and put the cross in my pocket. We chatted a bit more and he bid us farewell. You can read more about this fellow by clicking [https://utahstories.com/2013/07/the-motorcycle-](https://utahstories.com/2013/07/the-motorcycle-desert-doctor-of-escalante/)

[desert-doctor-of-escalante/](https://utahstories.com/2013/07/the-motorcycle-desert-doctor-of-escalante/). As always, I hope you're enjoying every day as it comes. Warmest regards, *Jon*

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