

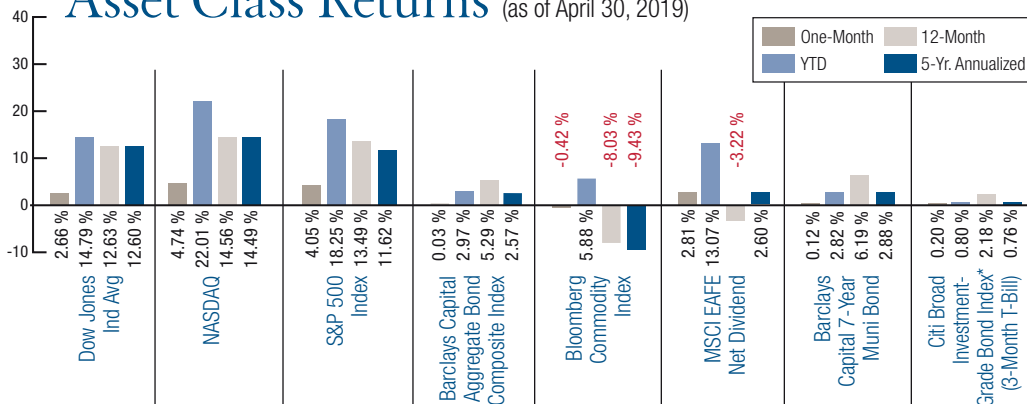
From the Office of Jeff Sgroi, CFP®



"What goes on around you... compares little with what goes on inside you."

-Ralph Waldo Emerson

Asset Class Returns (as of April 30, 2019)



Market & Economic Synopsis

- U.S. equity markets have strong start to 2019, though fade slightly in May
- Trade discussions between the U.S. and China dominate headlines and market movement
- University of Michigan Consumer Sentiment Survey results for early May post highest level since 2004, indicating positive economic perception
- Ridesharing companies Lyft and Uber start trading on NYSE in recent IPO offerings
- Multiple Colorado ski resorts set to reopen for Memorial Day weekend due to cool spring and recent snow
- Bitcoin, among other cryptocurrencies, generating excitement as prices rebound after a collapse in 2018
- Oil prices in flux, as tensions with Iran rise and Saudi oil pipelines struck by drones
- Interest rates slip, and bond values rise, as 10-year U.S. Treasury Note dips into 2.3% range

Raymond James – 2019 National Conference Recap and Takeaways

As we enter year 10 of this bull market, I am as curious as ever for information, data, and ideas on how to best position client portfolios for the next 10 years. Thankfully, we once again had a star-studded lineup at the recent annual conference. There were some new speakers and money managers whom I had not seen before, but my interest was also piqued by familiar names and faces whom I have followed for as long as 20 years now. Having historical context not only supports credibility, in my mind, but also perspective based on their previous calls, both right and wrong.

Below are talking points and highlights from the four days I spent absorbing wisdom from some of the best minds that cover all things financial.

Phil Orlando, CFA

Chief Equity Market Strategist, Federated Investments

- Expect a U.S.-China deal by mid-2019
- The Federal Reserve will not raise rates in 2019/2020
- Brexit has been, and will continue to be, pushed back
- Expect 1Q 2019 earnings per shares (EPS) to remain strong and feature positive future guidance
- Expect unemployment rates to remain low ~ 3.3% until 2020
- We will not have a recession in 2019 or 2020—the soonest likely timeframe for a recession is 2021
- Both low interest and low inflation rates offer strong tailwinds for the equity markets
- Bottom line: S&P 500 projection rates are positive for the next two years with 3,100 by 12/31/19 and 3,350 by 12/31/20

Mike Gibbs

MD, Director of Portfolio and Technical Strategy, Raymond James Financial Services

- There is more of a concern for a market “melt-up” than a meltdown
- Projected S&P 500 outlook over 12 months = \$171/earnings x 17.5 PE = 3,300 price target
- Don’t chase high-yield equity positions (utilities, telecom) now
- Bullish on energy—crude oil prices are up 44% since recent market bottom on 12/24/18, but energy sector stock prices have only rebounded 24%
- Biggest risk: “Do we understand ETFs and electronic trading in a panic situation or market?”

Ed Mills

Washington Policy Analyst and Managing Director of Equity Research, Raymond James Financial Services

- The Federal Reserve will adjust based on how Brexit, China trade, etc., play out
- Expect the trade discussion surrounding China to last quite some time; next meeting between presidents Trump and Xi scheduled for 06/20/19
- Healthcare is a hotspot in Washington, but the Affordable Care Act (ACA) will not be repealed and Medicare for all will not happen
- We only see legislation in Washington when it is absolutely necessary (i.e., debt limit, budget deficit hits a cap)
- Only the minority cares about the debt, and it will be a long time before the debt is an issue
- Biggest risk – Geopolitical risk

James Camp, CFA

Managing Director and Portfolio Manager, Eagle Asset Management

- December 2018 was a deleveraging event
- The Federal Reserve is done raising rates for now; the 10-year U.S. Treasury yield is not going any higher
- Hope is that we are now less monetary (policy) centric, and more capitalist centric
- It is a stock and bond pickers market
- The stock and bond markets are telling us two different things—only one is right

Andy Friedman

The Washington Update

- Congress must deal with the debt limit in 2019: on 03/02/19, Washington reached its borrowing limit and will run out of cash around the end of September 2019
- If Fitch and other credit-rating firms downgrade the U.S. credit rating (like in 2011), we will see equities sell off and interest rates rise
- The Mueller Report found no collusion between President Trump and the Russians; charge of obstruction of justice is TBD
- With a Democratic House of Representatives, we may see tech breakups, delay of progress on infrastructure bill, and disruption in trade policy
- Trade negotiation and tariffs will hurt U.S. soybean farms and U.S. consumers. Markets are trying to determine if we get treaties (positive for markets) or tariffs (negative). We could see a deal as soon as the end of May 2019
- RESA or Retirement Enhancement and Savings Act (pending legislation in Washington) would raise IRA requirement minimum distribution age from 70.5 to 72, allow for IRA contributions at any age, and allow for 529-qualified distributions to include home schooling and vocational tech schools
- We will not see a full repeal of the Affordable Care Act
- Concerns and potential market disruptions include U.S. debt ceiling and downgrade of U.S. credit rating; Trump investigation; technology company hearings; repeal of NAFTA; and tariff vs. trade agreements

In summary, there are certainly some conflicting views on opportunities and threats to the financial markets. However, a common theme throughout most presentations was one of optimism. I, too, share that sentiment. For now, we are maintaining current client strategies. At the same time, we are wary of the fact that our markets can turn on a dime. Please let us know if you would like to discuss any of the above topics in further detail. There is an incredible amount of information and resources at our disposal that we constantly pour over. We welcome the opportunity to share our knowledge with you!

From the Homefront

May is a big birthday month in our family. Stella turned nine and the twins turn six before month's end. We have learned that they are not shy about planning their birthdays—we usually hear about what they want to do for their upcoming birthday parties in October, leaving plenty of time to plan.

Stella had her seven closest friends sleep over, along with games, cake, and time on the trampoline. True to their unique personalities, Lily and Hannah are having very different parties. Lily is hosting a Nerf gun party and Hannah is doing a craft event. The two could not have elected for celebrations any more different.



Tracy and I flew to Las Vegas three days prior to the 2019 Raymond James National Conference for a brief getaway and visit with friends who live there. A visit to Las Vegas isn't complete without a photo with Elvis, so we couldn't resist.



Getting off the Strip to visit our friends at their home was a highlight of the weekend. They live in a great community about 15 minutes from downtown, but it feels like an entirely different universe altogether. I must admit, though, that Vegas has some great restaurants and incredible energy. There is really nowhere else like it in the world.

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