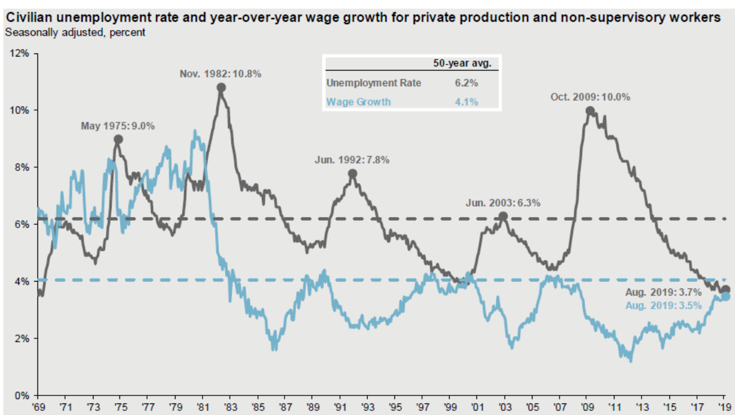
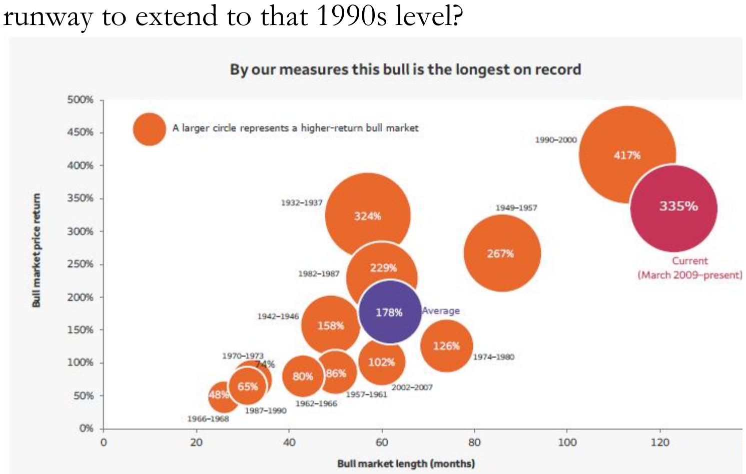
2019 Third Quarter Commentary & Summary
Will External Events Hamper Economic Growth?

China trade war, drone attack on Saudi oil supply, Hong Kong protest, election, and the constant U.S. political theater all occupy the headlines. Meanwhile, the domestic unemployment rate dropped to the lowest level in history, at 3.5%, and the economy continues to extend its record length of expansion (see below).



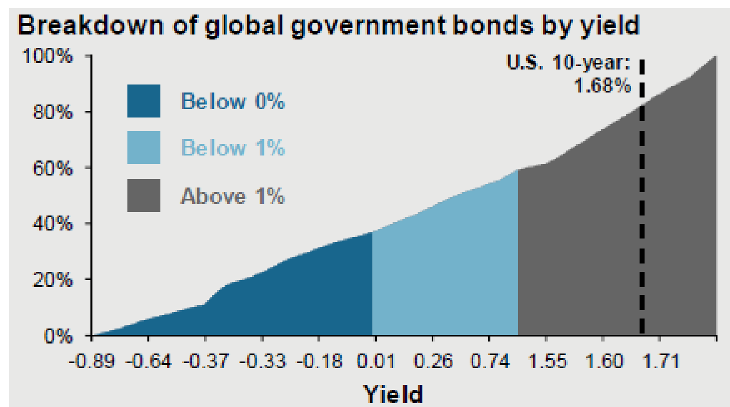
Source: BLS, FactSet, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of September 30, 2019.

The chart below illustrates that although the length of expansion is historic (335% gain), the largest bull market run in the 1990's (417%) surpassed the current run substantially. This begs the question: Do we have the runway to extend to that 1990s level?



Sources: Bloomberg and Wells Fargo Investment Institute, as of June 30, 2019. Market represented by the S&P 500 Index. For illustrative purposes only. An index is unmanaged and not available for direct i
Past performance is no guarantee of future results. A price index is not a total return index and does not include the reinvestment of dividends.

Additionally, the Federal Reserve Bank has reversed its policy leanings from 2018 to a stance of lowering the key short-term interest rates. Do the rate cuts of this summer continue and provide additional fuel to the equity fire for further gains? Globally, the chart below shows that even with a U.S. Treasury yielding 1.68% for 10 years, it is among the highest rates around the world. The pressure appears to be for lower yields domestically.



Source: J.P. Morgan Asset Management, (Left) Bloomberg; (Top right) BofA/Merrill Lynch; (Bottom right) FactSet, Federal Reserve Board.
U.S. holdings include households, non-profit organizations, the federal government, nonfinancial corporate businesses, nonfinancial noncorporate businesses, state and local governments, U.S. chartered depository institutions, foreign banking offices in the U.S., banks, credit unions, insurance companies, defined benefit and defined contribution retirements plans, money market funds, mutual funds, closed-end funds, ETFs, broker dealers and holding companies.
Guide to the Markets – U.S. Data are as of September 30, 2019.

Our team has varying opinions on specifics, but the consensus is that an economic slowdown will begin slightly in 2020, but not be extreme or recessionary. We do believe that after the volatile fourth quarter of 2018 (-20%), the market rebound in 2019 was nearly vertical and reached overbought levels this summer. We anticipate more volatility beginning the last half of the year. Additionally, focusing more on defensive, dividend paying equities in the models has been a key topic during our Tuesday portfolio meetings.

We are reluctant to agree with the majority, but do feel that pressure for lower interest rates will persist. As a result, we feel slightly lengthened durations (maturities) on the bond holdings would be good. Hopefully, the

The Brechnitz Group of Raymond James
101 S. Main St., Suite 301·Decatur, IL 62523·217-423-1388

negative interest rate environment seen in much of Europe does not spread to America, but our yields clearly have pressure downward.

The external static that occupies the media soundbites should not influence our investment outlook. We will remain diligent in looking at both sound research and risk tolerance and goals for our clients.

We appreciate your continued confidence and trust!
The Brechnitz Group

The Brechnitz Group of Raymond James
101 S. Main St., Suite 301·Decatur, IL 62523·217-423-1388