

## February 2019

### Market Update

(all values as of 1.31.2019)

#### Stock Indices:

Dow Jones	24,999
S&P 500	2,704
Nasdaq	7,281

#### Bond Sector Yields:

2 Yr Treasury	2.45%
10 Yr Treasury	2.63%
10 Yr Municipal	2.19%
High Yield	6.86%

#### YTD Market Returns:

Dow Jones	7.17%
S&P 500	7.87%
Nasdaq	9.74%
MSCI-EAFE	6.47%
MSCI-Europe	6.47%
MSCI-Pacific	6.38%
MSCI-Emg Mkt	8.71%

US Agg Bond	1.06%
US Corp Bond	2.35%
US Gov't Bond	1.18%

#### Commodity Prices:

Gold	1,319
Silver	16.06
Oil (WTI)	54.01

#### Currencies:

Dollar / Euro	1.14
Dollar / Pound	1.31
Yen / Dollar	109.33
Dollar / Canadian	0.76

Dear Friends,

Good things take time. This must mean that I'm getting old, because there are a lot of good things in my life right now. One thing I've particularly enjoyed is trying new fitness challenges. It keeps me feeling younger than I am, and there is nothing like the anxiousness of starting something new, combined with the rush of accomplishing the challenge. When I signed up for the BSF Community Skate Ski race in early February, I wasn't sure if I hadn't gone too far. Our nordic community is a national juggernaut. And weekend warriors with ill-fitting tights a limbs askew can stick out pretty easily. That was me. But post race, when the phlem had cleared, in came the exhilaration of having done it the best I could. Thank you BSF!

McCormick Financial Advisors has also benefited from putting in our time. Servicing wonderful clients looking for sustainable income and retirement planning has been a growing model. Please continue to spread the good word about our honest and personal service.



### Equities Have Best Start Since 1989 – Equity Market Update

Job and wage growth skirted the government shutdown as the number of employed increased in January along with rising wages. The unemployment rate ticked up to 4.0% in January due to 800,000 federal employees furloughed during the month, a temporary effect of the shutdown. The onslaught of increased hiring by companies and higher wages translates into stronger consumer spending throughout the economy.

U.S. trade tensions with China continued as negotiators hashed out how to address the excessive trade imbalance between the two countries. U.S. trade representatives have set a deadline for negotiations with China for March 1st, at which point all imported Chinese goods will be subject to a 25% tariff if a compromise isn't achieved.

The Fed decided to leave rates unchanged during its January 30th announcement, adopting what it called a "patient rate stance" interpreted by the markets that it would hold off on raising rates for the time being. It also mentioned that it would be flexible in reducing its balance sheet, an indirect method of altering short-term rates.

Britain's vote two years ago to exit the European Union (EU) has been vigorously contested by the British parliament leading to no formal plan in place to exit. March 29th is the formal date set for Britain to exit the EU, whether or not the country has any plans in place or not.

The dust is still settling on the recent market correction. But the projected winners are the long-term investors, again.

(Sources: Federal Reserve, CBO, BLS, Dept. of Labor)

**Updated Contribution Limits for your Retirement Savings**

Please take a moment and increase your savings to your retirement plans. And if you are 50 or older you are still allowed the same catch up amounts: \$1,000 for IRA's and \$6,000 for your 401k. If you participate in a Simple IRA, the limits for 2019 are \$13,000 with a \$3,000 catch up for those 50 and older.

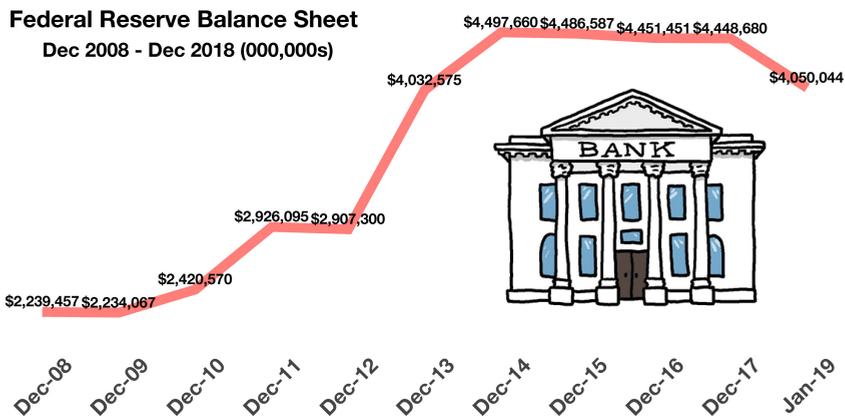
**Retirement Plan Contribution Limits**

PLANS	2018	2019
IRA's	\$5,500	\$6,000
401(k's), 403(b's), 457's, TSP's	\$18,500	\$19,000

**Rates Head Lower While Fed Holds Steady – Fixed Income Update**

Overall bond prices rose in January as the prospect of the Fed raising rates in 2019 considerably lessened. The Fed announced that it would refrain from its previous strategy of increasing short-term rates as well as hold off on shrinking its balance sheet. Both monetary tactics are expected to keep interest rates at current levels without any additional increases just yet.

Interest rates fell in January as the Federal Reserve signaled that it would hold off on additional rate increases until economic data warranted a rise. Bond prices, which move inversely to bond yields, rose across all fixed income sectors, alleviating concerns of further rate increases.



It is expected that the Fed won't raise again until it has validation about economic and wage growth producing inflationary pressures.

Central banks from around the globe continue to shrink their balance sheet, emulating the latest actions by the Federal Reserve in the United States. Shrinking or reducing a central bank balance sheet is a form of monetary tightening, thus an indirect method of raising short term rates. So far, the Fed's balance sheet has fallen from a peak of \$4.5 trillion four years ago in January 2015 to \$4 trillion in January 2019.

(Sources: U.S. Treasury, Federal Reserve, Bloomberg)

### U.S. Became Net Oil Exporter In 2018 – Oil Industry Overview

December marked the first time ever that the U.S. exported more crude oil and fuel than it imported, a result of ambitious U.S. production and the lifting of a decades old ban on U.S. oil exports in December 2015.

Early in 2018, the International Energy Association (IEA) projected that the United States was on track to become the world's single largest oil producer by 2023. It was just recently that the United States surpassed Saudi & Russian oil production, eclipsing over 11 million barrels of oil production per day. Russia was the world's largest oil producer for years until U.S. production surpassed it in 2018.

The implications of increasing U.S. production for OPEC, Saudi Arabia and Russia could be dire as the U.S. ratchets up its influence on the global oil markets. The ability for U.S. producers to influence prices and supply will only increase, allowing the U.S. ample latitude in modifying global energy policies.



The IEA estimates that the U.S. will be exporting nearly 5 million barrels of oil every day into the global markets by 2023, a dramatic increase from nearly zero when the oil export ban was lifted in December 2015. IEA projections reveal that of the 6.4 million new barrels of oil pumped globally every day between now and 2023, nearly 60% will originate in the U.S.

IEA data also noted that over 64% of world oil production has come from just 10 countries. As these countries produce oil, they have some basic

options such as to refine it, consume it, export it, or store it.

With the U.S. now able to export its own oil production, both as refined and crude, it has increased stockpiling capabilities. As a result, the U.S. has been able to maintain one of the largest supplies of oil worldwide. Partially because of this over supply, Congress agreed to remove the 40-year old ban on oil exports, thus allowing the U.S. to export some of its excess supplies.

The onslaught of fracking and technological advances in drilling has led to increased U.S. production and supply growth. Saudi Arabia's attempts to destabilize U.S. drillers with increased production and lower oil prices has essentially backfired.

The IEA also notes that as U.S. production and exports increase, it will eventually allow the United States to be energy self-sufficient.

Sources: IEA, U.S. Dept. of Energy, EIA.gov

**About Us**

Our clients enjoy the feeling of having their financial lives kept in order. Freedom from worry comes from working with an experienced advisor that understands your entire financial life and is accessible and attentive to your needs. As a fiduciary, Mike is unable to receive commissions from financial products and free to make recommendations that are unbiased by Wall Street. With over a decade of experience caring for a small family of clients, our specialties are preserving wealth and generating sustainable income. Our average client net worth ranges from \$2 to \$10 Million. Go outside, we've got this.

MFA Events Calendar	
Radio	Wednesdays 8am, 1450am KMMSam.com
Radio	Fridays 1pm, 95.9fm KGVM.org
CPA Symposium	4 CPE for a CPA Continuing Education Event May 22nd. Register via email. <a href="mailto:mike@mccormickfinancialadvisors.com">mike@mccormickfinancialadvisors.com</a>
Fun and Run 5k	Wed Night Brew Run Sponsor. March 13th, 5pm at Mountains Walking. <a href="http://Bozemanrunningcompany.com">Bozemanrunningcompany.com</a>
<a href="http://www.mccormickfinancialadvisors.com">www.mccormickfinancialadvisors.com</a>   406-522-3201	