

June 2019

## Market Update

(all values as of  
05.31.2019)

### Stock Indices:

Dow Jones	24,815
S&P 500	2,752
Nasdaq	7,453

### Bond Sector Yields:

2 Yr Treasury	1.95%
10 Yr Treasury	2.14%
10 Yr Municipal	1.65%
High Yield	6.60%

### YTD Market Returns:

Dow Jones	6.4%
S&P 500	9.8%
Nasdaq	12.3%
MSCI-EAFE	5.67%
MSCI-Europe	6.25%
MSCI-Pacific	4.76%
MSCI-Emg Mkt	3.34%

US Agg Bond	5.12%
US Corp Bond	7.57%
US Gov't Bond	5.72%

### Commodity Prices:

Gold	1,305
Silver	14.57
Oil (WTI)	53.50

### Currencies:

Dollar / Euro	1.11
Dollar / Pound	1.26
Yen / Dollar	109.65
Dollar / Canadian	0.74

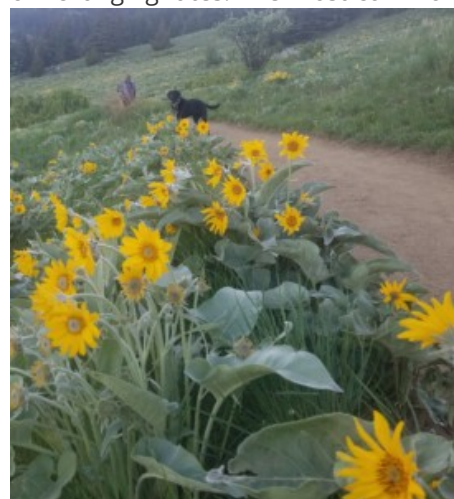
## Dear Friends

Whether you are climbing Mt Blackmore, Sacajawea, or Triple Tree this summer, the act of arriving at a 'false summit' is something that is part of traveling in the hills. It can be very emotional when you realize that there is yet another hill to climb, requiring a bit more resolve and discipline than you expected. The general expectations in today's economy are that we have more climbing to go, but false summits will be common. The recent market swings have primarily been due to the uncertainty of the trade disputes and the effects of tariffs on the U.S. and international economies. Analysts believe that the equity market pullback along with the pending trade disputes have raised the possibility of an interest rate cut by the Federal Reserve later this year. Recently, the Fed affirmed that they are willing to lower rates if they need to. It's a tricky time indeed!

We believe that at these valuations, investors should proceed cautiously, and consider shifting investments into areas that have benefited from changing rates. The most common advice I'm giving is for people to make sure they are earning current rates on their cash. Most local banks have a program that allows you to profit from holding cash while you determine a plan that will work for you. Also, in your investment portfolios, we are suggesting that there may be reason to explore more dividend and fixed income investments. When your investments pay you to hold them, it makes the ride a bit more manageable!

In this edition, we cover a lot of ground: from trade disputes impact to unusual interest rates, there is a lot of information to process.

Remember you can modify your preferences with a simple email to me. I hope your summer is spectacular! The photo is of a recent morning hike on the 'M'.



## Recap: Bozeman 2019 CPA Symposium, presented by McCormick Financial Advisors

This was our 9th year hosting local CPA's at an afternoon of continuing education. It was also our largest attendance ever! We heard great presentations on wealth management strategies from several local professionals including:

- New estate planning rules and clarifications from the MT Legislature. They accomplished a lot more than you might think. Thank you Justin Bryan!
- A dynamic presentation on Social Security, and services available at our local office near Costco. They are there to help you!
- Reviewed the important features of the MT Charitable Endowment opportunity. In some cases, participants can enjoy significant state tax benefits (up to \$10,000). Thank you Bridget Wilkinson and Katy Sparks!

## Data

The U.S. Department of Commerce began assessing Chinese imports arriving at U.S. ports with a 25% tariff at 12:01 AM on June 1st. The tariff increase affects a broad range of imported products, including modems, routers, furniture, and vacuum cleaners. Additional tariffs were also proposed by The Office of the United States Trade Representative on essentially all remaining imports from China, valued at about \$300 billion.

Longer term U.S. Treasury bond yields fell to their lowest levels since 2017. Combined pressures from the trade disputes to the pending Brexit turmoil in Europe has fostered increasing demand for U.S. Treasury bonds, which has resulted in higher bond prices.

Mortgage rates fell below 4% for the first time since early last year helping to stabilize housing market activity. The average mortgage rate on a 30-year fixed conforming loan was 3.99% at the end of May, as tracked by Freddie Mac, the lowest since January 2018. Falling mortgage rates tend to entice buyers to sell their homes and trade up to larger homes with bigger mortgage balances, a boom for the housing market.

The most recent unemployment data revealed that unemployment unexpectedly fell to a 50 year low this past month to 3.6 percent, the lowest since 1969. Historically, a low unemployment rate tends to drive consumer confidence higher and act as a buffer during economic uncertainty.

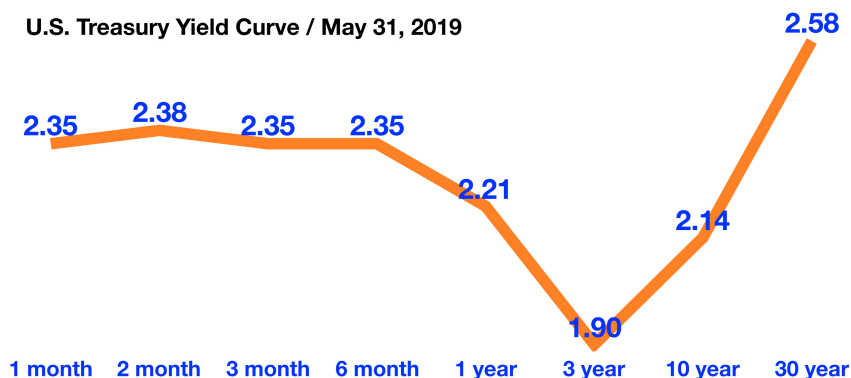
Sources: Dept. of Commerce, Treasury Dept., Freddie Mac, IMF

## Rates Drop Rapidly Amid Inverted Yield Curve - Fixed Income Update

Markets tend to look at the yield curve in order to find clues as to what the expectations are about future economic growth and inflation. The yield curve is essentially the current yield on government Treasury bonds from 3-month maturities to 30-year maturities. At the end of May, the 1, 2, 3, 6 month and 1-year notes all yielded more than the benchmark 10-year bond. When shorter term bonds are yielding more than longer term bonds, it is known as an inversion or inverted yield curve.

Economically sensitive copper and oil prices fell in May, perhaps signaling weaker global growth activity. Such dynamics in the commodities market tends to push yields lower internationally. Some analysts believe that a continued escalation of trade disputes with countries in addition to China will crimp global economic growth and force the Federal Reserve to lower interest rates.

U.S. Treasury Yield Curve / May 31, 2019

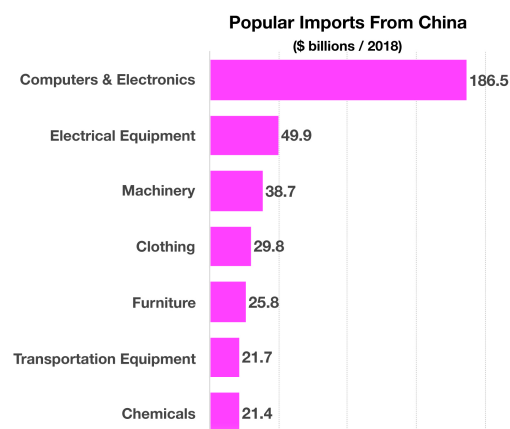


Some fixed income analysts are projecting lower yields later this year due to slowing economic expansion, continued demand for U.S. government debt, and an increasing probability that the Fed will eventually lower rates. (Sources: IMF, Treasury Dept., Federal Reserve)

## Here's What The U.S. Buys The Most Of From China – Trade Overview

In the past twenty-plus years, China has evolved from a heavy equipment machinery exporter to a prominent leader in technology product exports. Large international conglomerates have established an enormous manufacturing presence throughout China, utilizing its cheap labor and quick turnaround times. China's manufacturing plants are among the most modern in the world, producing large capacities almost entirely for export.

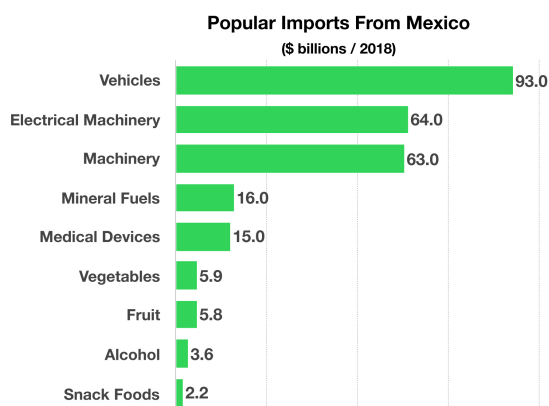
As the world's appetite for electronic devices has grown, so has China's ability to manufacture and export these devices. As a product exporter, China is able to manufacture and export finished products worldwide. In addition, China is also an exporter of components, which may be used in the manufacture and assembly of products in other countries, such as the United States. By exporting components in addition to finished products, China is able to hedge against tariff issues and labor costs should they become a factor. (Sources: WTO, IMF, U.S. Dept. of Commerce)



## What The U.S. Imports From Mexico – Trade Overview

The administration has proposed (then redacted) tariffs up to 25% on imported products from Mexico in order to stem illegal immigration from the country. Some argue that imposing such a tariff would make certain imported products more expensive for American consumers.

The U.S. imported \$93 billion worth of vehicles from Mexico in 2018, with auto parts accounting for the single largest type of product imported from Mexico valued at over \$51 billion in 2016, making the automotive industry an integral component of trade with Mexico. Interestingly enough, exports headed from the U.S. to Mexico are primarily for use in the automotive industry, with machinery, fuels, and plastics making up the largest portions.



Agricultural and food products imported from Mexico, such as vegetables, fruit, snack foods and alcohol, totaled over \$17 billion in 2018. Mexico is currently the world's largest exporter of beer, exporting \$3.6 billion of the alcohol to the U.S. in 2018. Proposed tariffs on Mexican imports are expected not to take effect until June 10th in order to give Mexico ample time to respond or negotiate terms. (Sources: Dept. of Commerce, BLS, Office of the U.S. Trade Representative)

## 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	
	Congratulations Teachers!! Enjoy Summer!
GVLTT Summer Trails Sponsor	June Summer Trails Challenge- Log your miles on Area Trails <a href="https://gvl.org/summer-trails-challenge/">https://gvl.org/summer-trails-challenge/</a>
Radio	Wednesdays 8am on 1450am KMMSam.com
Radio	Fridays 1pm on 95.9fm KGVM.org
Fun and Run 5k	Wed Night Brew Run Sponsor. July 10th, 6pm start at MAP Brewing Bozemanrunningcompany.com
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