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Key Economic Statistics

Leading Economic Index 111.80
Recent Trend: Increasing
(Source: The Conference Board)

Consumer Confidence Index 138.4
Recent Trend: Increasing
(Source: The Conference Board)

US Current Annual Inflation Rate (PCE): 2.01%
Overall FED Goal: 2%
Recent Trend: Increasing
(Source: Inflationdata.com)

US Unemployment Rate: 3.70%
Recent Trend: historically low
(Source: US Dept of Labor (BLS))

Interest Rates:
Fed Fund Target Rate: **2.00- 2.25%**
2-year US Gov't Bond Yield: **2.85%**
10-year US Gov't Bond Yield: **3.12%**
30-year US Gov't Bond Yield: **3.37%**
Recent Trend: Interest rates continue to be low.
(Source: Wall St Journal Market Data)

Total Returns: YTD
US: S&P 500 (SPY): **3.98%**
US: Dow Jones Ind. Avg. (DIA):**3.35%**
US: NYSE Composite (NYA): **2.14%**
US: Aggregate Bond Index (AGG) **(2.10)%**
Europe: FTSE Europe (VGK): **(9.80)%**
Canada: I-Shares (EWC): **(8.46)%**
China: Large Cap (FXI): **(12.44)%**
Hong Kong: I-Shares (EWH): **(11.72)%**
Japan: I-Shares (EWJ): **(6.41)%**
Brazil: I-Shares (EWZ): **(0.61)%**
Gold: I-Shares: (IAU): **(5.76)%**
(Source: Morningstar Office)

Quarterly Investment Commentary: Q3 2018

10/24/2018

The most recent quarter can certainly be described as fairly dramatic, with fear arising from immoderate trade talks, rising interest rates, and political uncertainty. Global equity markets have seen volatility escalate as a result.

Strong economic growth and continued stabilization has resulted in the Federal Reserve continuing to tighten monetary policy and hike interest rates. We had the 3rd rate hike of the year in September and 8th time since 2015. Jerome Powell, newly elected Chairman of the Federal Reserve, has shown a relatively hawkish sentiment seeing a strong U.S. and global economy. Currently the FOMC is projecting another 2 to 3 rate hikes into the summer of 2019. Rate hikes are a common occurrence late in the business cycle, as interest rate normalization continues.

Worries from trade fears with China have disturbed equity markets over the last few months. With the U.S. imposing tariffs on another $200 billion of goods, China has retaliated by imposing levies of their own on $60 billion of U.S. goods. Trade escalation continues between the U.S. and China, though it looks like the U.S. has greater economic leverage. Chinese equity markets have been hit severely from talks of a trade war, down almost 20% since July. With the G-20 summit coming up in November we will see if the 2 global superpowers can reach some sort of truce in the matter.

We continue to stay focused on U.S. equity markets, which are showing some of the strongest earnings growth in years. S&P 500 earnings growth estimates for 2018 are projected to be 18% year over year. Fixed income markets have seen the increase in interest rates partially erode returns. Currently we are seeing more opportunity in low duration fixed income exposure. As always, we recommend maintaining a broadly diversified portfolio to implement risk mitigation during highly volatile times.

By Ed Canty, *Registered Investment Advisor Representative*