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INVESTMENT SERVICES



Weekly Wrap Up • May 6-10, 2019 • formanis.com

What happened in the markets last week?



by David Abuaf - Investment Manager, RJFS

News for the Week

General Markets / Economic

1. Trump threatened to drastically raise US tariffs on Chinese imports, surprising Beijing before talks aimed at securing a trade deal
 - a. As the week progressed, this did NOT go over well – horrible would be an understatement
2. The Fed identified rising sales of risky corporate debt as a top vulnerability facing the US financial system

Company News

1. Boeing didn't share information about a problem with cockpit safety alert for about a year before the issue drew attention with the October crash of a 737 max jet
2. Occidental revised its offer for Anadarko Petroleum, increasing the cash portion of its bid
3. Google is set to launch new tools to limit the use of tracking cookies, a move that could strengthen its ad dominance and hamper other digital marketing firms
4. Walmart is raising the minimum age to purchase tobacco products to 21 and will stop selling fruit flavored e-cigarettes

Interesting Stories

- China is hooked on live-stream shopping. What is that? Great question. People in America (or country X) go to stores that don't exist in China and stream their experience. Chinese consumers then get said people to purchase items, all while 10+ time zones away!



TURNING BACK THE CLOCK TO 1999

May 18, 1999: "Millennium" 3rd studio album by the Backstreet Boys is released - one of the best-selling albums of all time, over 30 million copies sold.



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Weekly Commentary

The U.S. and China are playing a game of chicken with trade—and there may be no winners.

The market had been counting on a trade deal between the U.S. and China, so it was taken a bit aback when Donald threatened to increase tariffs. By the end of the week, as more details emerged about China backing away from previous promises, he followed through on that threat with the S&P 500 index falling 2.2% on the week.

The market, however, was surprisingly resilient. On Thursday and Friday, the SPDR S&P 500 exchange-traded fund (ticker: SPY) fell as much as 1.5%, only to close back above its 50-day moving average on both days. As long as the 50-day average holds, investors probably don't have much to worry about regarding the week's decline.

"It's a pullback; it's nothing," says John Kolovos, chief technical strategist at Macro Risk Advisors. "If the 50-day breaks, it will turn a pullback into a correction."

There are plenty of reasons for markets to be optimistic. For one, it's probably in everyone's best interest for a trade deal to get struck at some point. There's apparently a grace period built into the new tariffs, as they won't be applied to goods already in transit. And some observers argue that a full-blown trade war wouldn't be that big a deal for the U.S. anyway. "Even a complete cessation would have only a modest impact on U.S. GDP growth, particularly since exports are already down sharply," Andrew Hunter, senior U.S. economist at Capital Economics, wrote on Friday.

But anyone hoping for a quick deal should think again. It took December's market plunge for the U.S. and China to make progress on trade talks. But now that markets globally have rallied, the two sides can dig in their heels, explains Ethan Harris, global economist at Bank of America Merrill Lynch. "Both the U.S. and China want a deal, but motivating the inevitable compromise requires some combination of market, economic, and political pain," he writes.

That leaves the market at risk for a larger pullback. Valuations were stretched heading into this week, and the decline wasn't big enough to make stocks meaningfully cheaper, says Lori Calvasina, head of U.S. equity strategy at RBC Capital Markets. At the same time, a trade war could shave \$3 off her \$171 earnings estimate for the companies in the index, making it look even more expensive.

Even so, investors have found enough reasons not to flee in masse. "I don't know if it's patience or denial," she says.

There's danger in denial. Almost unnoticed on Thursday, the difference between the yield on the three-month Treasury briefly rose above the 10-year yield, resulting in a short-lived yield-curve inversion. It takes a sustained inversion to signal a looming recession, so we shouldn't worry too much yet, but it does serve as a reminder about how uncertain the outlook is right now.

The U.S. economy could get hit by a slowdown in demand due to the Federal Reserve's previous interest-rate hikes and higher prices triggered by tariffs, observes Michael Darda, chief market strategist at MKM Partners. To prevent the worst-case scenario, the Fed might have to do what the market has been predicting it will—lower interest rates. "So long as the Fed cuts short rates prior to a sustained yield-curve inversion taking shape, the soft-landing scenario is still the base case," Darda writes.

All things considered, we'll take it.



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Introducing Nicholas Combs

The newest member of the Forman team



A native of Marion, Indiana, Nick attended Ball State University and earned his Bachelor of Science degree in Finance, with a concentration on planning and investing, in 2014. After working for Northwestern Mutual in Fort Wayne and Thorne Insurance Agency in Wabash, Nick most recently worked as a Private Client Banker at JP Morgan Chase. Nick currently lives in Columbus with his wife, Maggie and son, Oliver. They attend St. Peter's Lutheran Church. In his free time, Nick enjoys golf, basketball and attending concerts.

As a member of the Forman Investment Services Team, Nick will work with FIS clients to help build and preserve their wealth. He will work with clients on an individual basis to develop personalized wealth management strategies to build a portfolio that compliments both short-term and long-term goals.



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The yield curve is a graphic depiction of the relationship between the yield on bonds of the same credit quality but different maturities.

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There is no assurance any of the trends mentioned will continue or forecasts will occur. Forward looking data is subject to change at any time and there is no assurance that projections will be realized.

The companies engaged in the communications and technology industries are subject to fierce competition and their products and services may be subject to rapid obsolescence. Gold is subject to the special risks associated with investing in precious metals, including but not limited to: price may be subject to wide fluctuation; the market is relatively limited; the sources are concentrated in countries that have the potential for instability; and the market is unregulated. Be advised that investments in real estate and in REITs have various risks, including possible lack of liquidity and devaluation based on adverse economic and regulatory changes. Additionally, investments in REIT's will fluctuate with the value of the underlying properties, and the price at redemption may be more or less than the original price paid.

Diversification and asset allocation do not ensure a profit or protect against a loss.

Investing in oil involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

International investing involves special risks, including currency fluctuations, differing financial accounting standards, and possible political and economic volatility.

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Helpful Tools



Client Access

Free, online portal designed to give you 24/7 access to your account information at your desk or on the go

- Get your account documents, such as statements and trade confirmations, the way you want them. You can choose online-only delivery of many documents, and you can elect to receive an annual or quarterly summary of your account activity when you choose online delivery of your monthly statements
- Access key data such as unrealized and realized gains and losses, cost basis information and tax-reporting documents
- Gain quick access to cash management features, such as online bill pay and funds transfers
- Download account data to Quicken® or a CSV (comma-delimited) file
- Enjoy access to up to 14 years of your historical documents, anytime, anyplace
- View up to 13 months of account activity
- <https://wallstreet.rjf.com/investor/login.asp>



ACH

An automated clearing house (ACH) is an electronic funds-transfer system that deals with payroll, direct deposit, tax refunds, consumer bills, tax payments and many more payment services



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Helpful Tools



Vault

Online file sharing and content management platform that can be accessed from Client Access on any computer or mobile device

- Allows client and advisors to quick and easily store a variety of file types to collaborate and use the comment feature to initiate conversations on files they choose to share with one another
- Files can be uploaded and accessed any time while offering multiple layers of digital security creating a safe online location to store important files
- Popular files to store are client reports, insurance policies, tax returns, outside investment information (401(k), IRA), mortgage information, and more



TOD

Transfer on death designation lets beneficiaries receive assets at the time of the person's death without going through probate

- The account holder or security owner can specify the percentage of assets each designated beneficiary receives, which helps the executor distribute the person's assets after death
- The named beneficiaries have no access to or control over a person's assets if the person is alive



eSignature

eSignature is an easy, efficient, and secure method to obtain electronic signing of eligible Raymond James forms while ensuring the identity of the signing parties



Capital Access

Cash management solution designed to help you simply and flexibly manage both your immediate and long-term cash needs

- Benefits include fraud protection, 24/7 online access, ATM fee reimbursement, electronic bill pay, account tracking, view statements, mobile deposit, mobile wallet, check writing, comprehensive view by linking Capital Access accounts to RJ accounts, and client support. It's an opportunity to simplify your financial life by bringing your cash and brokerage accounts under one roof, creating a more complete picture of your finances that can help you and your advisor build an even stronger long-term plan