FORMAN INVESTMENT SERVICES

20th Anniversary 1999 - 2019

Weekly Wrap Up • May 28-31, 2019 • formanis.com

Please join us in welcoming Nick Combs to the Forman Investment Services 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.

Have friends or family who'd like to work with Nick? Give us a call at (812) 378-0730 to set an appointment.

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What happened in the markets last week?

by David Abuaf - Investment Manager, RJFS

News for the Week

General Markets / Economic

1. Tariffs and trade tensions are further weakening demand for US farm equipment
2. US crude stockpiles are climbing at their quickest pace since 2016, fueling fresh volatility in the oil market amid fears of excess supply
3. Fed officials see trade tensions as a rising risk to the US economic expansion that complicates their current static policy posture
    a. Translation: politics and economics don't mix. I've literally been saying this here for 5 years!

Company News

1. Fiat Chrysler proposed a nearly $40B merger with French rival Renault, a deal that would create the third largest auto maker by production
2. Boeing will face challenges in getting its 737 MAX back on track even after regulators sign off on changes
3. FedEx will begin delivering packages seven days a week starting in 2020

Interesting Stories

1. Finnish people are beginning to take classes on small-talk – how to instigate it and how to respond to it. this is happening through schools and private tutors
2. A man was driving a Lamborghini when he saw he was low on gas. He pulled into the Walmart gas station when suddenly a little bit spilled and his car caught on fire. It quickly went up in flames along with the Chevy Traverse on the other side of the filling station. The Lambo ended up as a total loss. Shall I make this worse? The man claims he spent his entire life savings on car and thus "Didn't have any money left for insurance, I'm Super upset…I even left my phone in the vehicle so I can't call anyone to take me home." Authorities felt bad and gave him buss fare to get home
3. In Largo, Florida, a child got home 30 minutes after curfew. His stepmom proceeded to take off her belt and give him a spanking. After 11 slaps across his bottom, he finally got upset and wanted to stop. He called the cops. She was arrested for domestic battery. The stepson? He is 26! The mother's excuse, "An adult living with parents will be treated like a kid, until they leave the house and get a real job."

Turning Back the Clock to 1999

June 1, 1999: British singer Dido's debut album, "No Angel," is released in the United States.

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Weekly Commentary

Heaven is reserved for the good, and hell is for the wicked. The stock market, however, is stuck in limbo. Yes, investors are feeling the heat after the S&P 500 dropped 2.6%.

It was a week that started badly, with China suggesting it was getting closer to unleashing its response to the U.S. ban on Huawei Technologies. It got worse when President Donald Trump announced that he was imposing 5% tariffs on Mexican imports. These tariffs aren't about trade—they're about immigration and will keep rising until "the Illegal Immigration problem is remedied," Trump tweeted.

To say that the market was caught by surprise would be an understatement. The S&P 500 fell 1.3% on Friday, and the stocks of companies with exposure to Mexico got hit even harder. Shares of Kansas City Southern (ticker: KSU), which ships from the U.S. to Mexico and back again, tumbled 4.5%, to $113.28, while General Motors (GM) slumped 4.3%, to $33.34. But the bigger surprise might be that the market held up as well as it did. "The market would be down more if it believed this was actually going to happen," says Quincy Krosby, chief market strategist at Prudential Financial.

But that doesn't mean it won't happen—and that's the predicament that investors have faced since the beginning of the trade war. Even to this day, it's unclear whether tariffs are a negotiating tool, the end goal of the president's policy, or something in between. That uncertainty is reflected in the S&P 500's performance since the first tariffs, on washing machines and solar panels, were announced on Jan. 22, 2018. While the index has dropped 2.1% since then, it has returned 0.6%, including reinvested dividends. We'll call it a wash.

Even the market's new highs haven't led anywhere. The S&P 500 hit a new one in April, but it was only 0.5% above its September all-time high, which was just 2% above its January 2018 record. At no point did the market set a record and then trend higher.

Predicting how far the market could fall is more complicated. The companies in the S&P 500 are expected to earn $187 per share in 2020, says SunTrust Private Wealth Chief Market Strategist Keith Lerner, but if investors are willing to pay 15 times for earnings of $175, the index could hold at around 2600, or 5.5% lower than Friday's close.

But May was the worst month since December, and 2018's tumultuous finish hangs over everything. Back then, a combination of trade fears and concerns that the Federal Reserve was going to raise interest rates too far caused the market to drop nearly 20%, before both the political and monetary officials got the market's message. Now trade fears are mingling with fears that the Fed won't lower interest rates, and the market is waiting to see if its message gets heard again.

Expect stocks to remain in purgatory until it does.

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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.

Investing in commodities is generally considered speculative because of the significant potential for investment loss. Their markets are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising.

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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