



MONTHLY UPDATE

Dear Clients:

According to Brian S. Wesbury, *“The bull market in U.S. stocks, which started on March 9, 2009, gets little respect. Those who have been bullish, and right, are mocked as “perma-bulls,” while “perma-bears,” who have been repeatedly wrong, are quoted endlessly.”*

Month of May in Brief

The Bureau of Labor Statistics reported that U.S. nonfarm payrolls increased by 223,000 in May, topping the consensus estimate of 190,000 and blowing away the 155,000 jobs created in May 2017, according to Bloomberg. As we noted, the U.S. job market is strong. We believe that it reflects an economy that is gaining strength, even though the recovery is one month shy of its ninth anniversary. Stocks and Bonds prices held up well and moved higher as optimism regarding the economic outlook increased.

Major Index Data

During the month of May, it was a positive one for stocks and bonds. The “SPY”, “DIA”, and “AGG” all were up. Year to date the “SPY” is up. The “DIA” and “AGG” are slightly down.

Index	Year 2018
AGG (Bonds)	- 1.50 %
DIA (Stocks)	- 0.24 %
SPY (Stocks)	2.02 %

(Source: Barron's)¹

June Outlook

The Federal Reserve meets again next week, and it is highly likely that the central bank will raise interest rates (short term). This will be their seventh increase of this cycle should this happen. To put things in perspective, the Fed raised rates once in 2015, another time in 2016, then three times last year and already once more this year. This will bring the target range for Fed funds up to 1.75% to 2%. In previous commentary we have stressed that we see rising interest rates as a good thing for the stock market. It usually takes a few hikes to do any real damage. Trouble usually happens when short rates exceed long term rates. This is one area that we will be keeping an eye on going forward and for now this does not concern us. As for portfolios, we are not making major changes. We still believe we are in a range bound market for now. We are evaluating fixed income positions (bond holdings) and prefer actively managed fixed income over passive.

We think risk, as usual, will continue to exist in the market this year and volatility is likely to increase. We will continue to monitor this. It is our philosophy not to chase performance which tends to increase risk. We choose to focus on proper asset allocation per any given level of risk tolerance. We recommend strategies such as using fixed and indexed annuities, and short-term bonds as ways to reduce risk and portfolio volatility for more conservative investors. We appreciate the opportunity to serve you. Our goal is building your wealth and controlling your risk!

Thanks,

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