



MONTHLY UPDATE

Dear Clients:

In the words of Henry Kaufman, *“there are two kinds of people who lose money: those who know nothing, and those who know everything.”*

Month of April in Brief

It was a treading water kind of month. Most of the focus going on the last several weeks was centered on first quarter-earnings results. As expected what we have seen so far has been impressive. However, we continue to see a range bound market. The main news headline was not “trade war” this past month. It shifted to the bond market where the 10-year treasury yield rose to over 3% for the first time in four years before settling back below 3%. The rationale for this headline is based on fear that as bond yields rise, bonds become more attractive and stocks become less attractive. We think this is way over blown. Faster growth and inflation are pushing yields up and we view this as being a good thing because we believe this will ultimately drive stock prices higher as the fear wears off.

Major Index Data

During the month of April, it was mixed for stocks. The “SPY” was slightly up and the “DIA” was down. Bonds declined compared to last month. Year to date both stocks and bonds are down.

Index	Year 2018
AGG (Bonds)	- 3.3 %
DIA (Stocks)	- 3.0 %
SPY (Stocks)	- 1.2 %

(Source: Barron's)¹

May Outlook

We believe economic and earnings growth will remain solid for the next 18-24 months and we continue to remain optimistic. We prefer equity (stocks) over fixed income (bonds). We do expect a range bound market to continue until investor confidence becomes a little less shaky. As mentioned last month, we will focus less on specific sectors going forward. We will focus on ideal asset classes that we think will outperform others for the remainder of the year and we will continue to keep any fixed income positions shorter in duration and to floating rate options. One item of note that we will be keeping a close eye on in addition to our usual economic indicators is the dollar index. It has been rising to levels we have not seen since last December and is well off the lows of February and March. This is important because a rising dollar can have an adverse impact on U.S large cap stocks. A strong dollar makes their exports more expensive.

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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