



MONTHLY UPDATE

Dear Clients:

According to J.P. Morgan, *“Nothing so undermines your financial judgment as the sight of your neighbor getting rich.”*

The Month of July in Brief

Positive earnings reports lifted the overall market last month, with 75% of reporting companies making up the S&P 500 index reporting higher earnings that analysts expected. Trade tensions between the U.S. and China have heated up and we believe China is starting to feel a little pain. New jobs growth came in less than expected. However, there was a revision of the May and June job numbers, which were higher than initially stated. Job growth is still showing a positive overall trend upward and we see this as a good thing. We believe this is an important piece of data that the main stream media predominantly did not report on.

Major Index Data

During the month of July, it was a positive one overall for both stocks representing the S&P 500 (SPY) and for stocks making up the Dow (DIA). Bonds making up the U.S aggregate index (AGG) were down slightly. The “SPY” and the “DIA” are both up year to date while the “AGG” is down year to date.

Index	Year 2018
AGG (Bonds)	- 1.70 %
DIA (Stocks)	2.74%
SPY (Stocks)	5.42 %

(Source: Bloomberg)¹

August Outlook

We are starting to see strength in the U.S. dollar and will be watching non-U.S. profits from domestic companies closely to see how the tariff policies might impact earnings growth on international holdings. We trimmed back emerging markets in our TrueWealth models during the month of July to reduce international exposure as we believe domestic earnings will fare better in the short term. We are still monitoring and evaluating fixed income positions (bond holdings) and prefer actively managed fixed income over passive as we mentioned in last month’s commentary. It is likely we will be looking for more active strategies going into the fall to replace some equities (stock) positions that are relatively passive. We believe equities will outperform bonds this year. However, it will require a more active style of management long term going forward.

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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