Gage-Wiley & Co., Inc.

Money Talks

120 King Street, Northampton, MA 01060 SEPTEMBER 2019 7 Middle Street, Plymouth, MA 02360

Market Comment

Historically, the end of summer and beginning of fall has been one of the most challenging times for market participants. This year is no exception. At the time of this writing, volatility levels have risen and global financial markets are experiencing some selling pressure. Major stock indices, including the much publicized *Dow Jones Industrial Average*, have given back some of their gains, though they remain in positive territory for the year. With the market retreating and healthy gains yet to be had, investors are likely wondering if they should cash in their chips and hide out until things settle down. Indeed, memories of last year's end-of-the-year market rout may be in the back of their minds as they contemplate heading for the exits.

Before making any sudden changes, it is important to review the financial landscape objectively. It is a difficult task amidst the constant barrage of headlines filled with worrisome developments. At this point, the political landscape appears to be clouding the U.S. economy's solid fundamentals. The first read at the end of July on the growth of our economy showed that it grew by 2.1% in the second quarter, higher than expected. The consumer did the lion's share of the lifting. It is no surprise to see this kind of support as jobs are plentiful and surveys that measure how confident consumers feel show that a large portion of the population is upbeat.

But even the most resilient economy (in this case, the U.S.) can be worn down. The trade war is heading into its second year and the stakes are high for both the U.S. and China. In recent weeks, escalating trade tensions have hit the currency markets with the Chinese devaluing their currency to offset another round of impending tariffs. By lowering their exchange rate, China can attempt to lessen the impact by making their exports less expensive. The U.S. administration responded by labeling the country "a currency manipulator" which is more of a rebuke than a punitive action since it has little immediate effect on China's economy.

At this stage, both sides are likely to feel the pressure since increased tariffs and countermeasures dampen growth both directly and indirectly via less commercial activity and loss in business confidence.

Indeed, the U.S. administration may have recognized the risks impending tariffs could impose on the upcoming Christmas season. Set to start in September, they would have hit popular items on holiday shopping lists. At the time of this writing, U.S. officials announced that many tariffs have been postponed until later in the year.

As a result of the news, the market got a much-needed boost and investors were encouraged that the U.S. revised the schedule. Hopes are that, possibly, this could be the beginning of constructive dialogue. There is still much work to be done, but at least signs of efforts to de-escalate tensions are beginning to emerge.

The announcement came at a good time since heightened concerns over geopolitics are on investors' radar. At present, the Hong Kong riots that began early in the summer have intensified. So far, they have been limited to street uprisings and disruptions to travel, but there are some concerns that it could begin to affect business activity since Hong Kong plays a significant role in financial dealings in Asia.

In addition, Brexit may present challenges in the fall as the deadline nears. Thus far, little progress has been made. However, deadlines have been extended in the past and may be again in the future. Both situations bear watching.

The list of concerns can go on and on and yet most often, after periods of heightened volatility, financial markets manage to regain their footing. If corporate profits are strong and the economy is on solid footing, it can usually withstand the turmoil.

For now, things look positive. Earnings for the second quarter are wrapping up and, so far, 75% of companies managed to report higher profits than expected.

Looking forward, companies are lowering expectations for the second half of the year and, if things turn out as forecasted, profits will be flat for the year. The good news is that reality is setting in. If companies can deliver positive surprises to investors on earnings day, then they are likely to see their stock prices advance.

Another positive development is the Fed's recent efforts to support the economy. The Fed lowered rates by a quarter percent at their meeting in July and are likely to lower them again at their next meeting in September. Fed policy members have taken notice of the global slowdown and are introducing measures to provide stimulus to sustain domestic growth.

Recently, investors have sought safety in assets such as government bonds, driving interest rates to multi-year lows. The lower level will likely bring relief to borrowers and may encourage credit growth.

Some efforts may already be starting to bear fruit. The housing market has seen increased activity with buyers refinancing and locking in low rates for home purchases. Since real estate can be a large part of consumers' cost of living, this helps their pocketbooks. The savings can benefit the economy by increasing investment and/or spending.

For now, the recent volatility has helped to relieve some concerns that the market was overbought. Developments on the trade war remain fluid and the situation warrants vigilance. However, central banks worldwide are keenly

(Continued on page 2)

Year-to-date through 8/14/19: DJIA 25,479.42 +9.2% — S&P 500 2,840.60 +13.3% — NASDAQ 7,773.94 +17.2%

STOCKS FOR DIFFERENT OBJECTIVES

INCOME STOCKS

	8/14/19 Closing Price	Yield	Est EPS Next Year
Procter & Gamble (PG) *Worldwide mfr of consumer goods*	115.79	2.58	5.15
AT&T (T) *Worldwide telecom holding company*	34.09	5.98	3.67
Alerian MLP Fund (AMLP) *Energy MLP ETF*	8.90	8.67	n/a
International Paper (IP) *Global paper and packaging mfr.*	38.65	5.17	4.09
Kimberly Clark (KMB) *Global health and hygiene products*	136.71	3.01	7.17

GROWTH STOCKS

	8/14/19 Closing Price	Est P/E	Est EPS Next Year
The Walt Disney Co. (DIS) *Media networks and resort destinations*	132.82	21.0	6.32
JPMorgan Chase & Co. (JPM) *Global financial services firm*	104.80	10.0	10.47
ABB Ltd. (ABB) *Industrial equipment and systems*	18.28	17.2	1.06
Apple, Inc. (AAPL) *Multinational technology company*	202.75	15.8	12.81
Comcast (CMCSA) *Global telecommunications conglomerate*	42.37	12.6	3.37

GROWTH AND INCOME STOCKS

	8/14/19 Closing Price	Yield	Est EPS Next Year
Pfizer (PFE) *Global biopharmaceutical company*	34.24	4.21	2.58
LyondellBasell Industries (LYB) *3rd largest chemical company*	72.71	5.78	12.36
Prudential Financial (PRU) *Large life insurance co*	80.40	4.98	13.57
Johnson and Johnson (JNJ) *Manufacturer healthcare products*	130.26	2.92	9.09
Walmart (WMT) *Retail giant*	106.20	2.00	5.06

AGGRESSIVE GROWTH STOCKS

	8/14/19 Closing Price	Est P/E	Est EPS Next Year
Salesforce.com (CRM) *Enterprise software for client relationship mgmt*	139.72	87.9	1.59
PayPal (PYPL) *Worldwide on-line payment system*	103.27	38.0	2.72
SS & C Technologies (SSNC) *Software services to financial service providers*	44.36	11.6	3.82
Alphabet Inc. (GOOGL) *Internet search engine, cloud computing, delivery svs*	1,164.25	20.5	56.68
Check Point Software (CHKP) *Internet security solution provider*	107.51	18.5	5.81

(Continued from page 1)

aware of the risks to global growth and are providing stimulus to their respective economies. The overwhelming majority are in accommodative mode which should provide support for financial markets in the near term.

Thus, despite concerns, there are reasons for optimism. In the long run, the financial pillars that have withstood the test of time and that drive equity prices – namely interest rates, inflation, corporate profits, valuation, and investor sentiment – should be the center of fundamental analysis. Understanding were they stand and, more importantly, where they are headed, are likely the key to achieving one's wealth management goals.

Industry regulations require us to provide certain notifications on an annual basis. These pertain to Gage Wiley's Privacy Policy, Business Continuity Plan, Customer Identification Program, Securities Investor Protection Corporation ("SIPC"), and the FINRA Broker Check. Please be advised, this information is available on our website (www.gagewiley.com) under the "Disclosures" link. If you are unable to access this information via the Internet or would like to receive this information in hard copy format then please let us know. We will be glad to send you a copy.