

KACHKOVSKY & FISHER  
REGISTERED INVESTMENT ADVISOR

Spring 2019

While Memorial Day weekend is often the perfect time to take a short trip or kick off the start of summer with friends and family, it's also much more than a day off. It's one in which we remember and honor fallen soldiers who've sacrificed their lives to fight for our country and freedoms. Many also use the occasion to remember family members who've passed, whether military or not. A national moment of remembrance takes place at 3 p.m. local time, and some lower their flags to half-staff from dawn until noon. Of course, it's not unheard of to dust off the grill and enjoy a day outside, whether in your own backyard or at the beach. Regardless of how you spend the holiday – taking place this year on Monday, May 27<sup>th</sup> – we hope you'll be surrounded by family and friends. And, if you have served in the military, we thank you for your service and the sacrifices you've made to defend our country.

Let's take a look at the numbers.

	(As of 5/10/19)
Dow Jones Industrials	+ 12.17 %
S&P 500 Index	+ 15.77 %
NASDAQ Composite	+ 19.77 %
Russell 2000	+ 17.17 %
MSCI EAFE Index	+ 10.02 %
MSCI Emerging Markets	+ 7.54 %
Major Bond Indexes	(As of 5/10/19)
Barclays U.S. Aggregate	+ 3.22 %
Barclays U.S. Government	+ 2.21 %
Barclays U.S. Government Long	+ 4.08 %

Source: The Wall Street Journal and Barron's

\*Inclusion of these unmanaged indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary. Past performance does not guarantee future results.

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## FINANCIAL AND INVESTMENT PLANNING

*"Surround yourself with the dreamers and the doers, the believers and thinkers, but most of all, surround yourself with those who see the greatness within you, even when you don't see it yourself."*  
- Edmund Lee

A lot has occurred in the first four plus months of 2019. Around the globe, stock market has had an about-face from the gloomy end of 2018. "Following last December's worst equity performance since 1933, and 2018 being the worst annual performance since the financial crisis – the concerns of an impending recession, tightening monetary policy, and a trade war with China were all muted, allowing risk assets to recover from the December 24<sup>th</sup> lows. On the back of solid first-quarter earnings results and healthy economic data releases, the S&P 500 continued its remarkable move higher and closed at a record high for the first time since September 2018", shared Raymond James Chief Investment Officer Larry Adam. In fact, the year-to-date start through April is the best since 1975. We are nearing the end of Q1 earnings season, with nearly ¾ of companies beating expectations.

However, as of this missive, the trade war has reignited, with U.S. slapping a 25% tariff on \$200 billion worth of Chinese goods on May 10<sup>th</sup>. The situation is growing more complex as additional \$325 billion of tariffs is on the table. In response, as of June 1<sup>st</sup>, the Chinese government is imposing a 25% on \$60 billion of U.S. goods – perhaps leaving room for the trade conflict to be resolved by then. Another self-imposed deadline is looming – Japanese and European auto tariffs may go in effect by May 18<sup>th</sup> (although a six month delay is being rumored). "The biggest risk to the U.S. economy is that a declining equity market and fears of a trade war lead to negative sentiment that causes both consumers and businesses to reduce their spending", added Larry Adam. Our hope is that a compromise is reached before you read this newsletter and this "art of uncertainty" period is in our rearview mirror.

"While Gross Domestic Product (GDP) rose at a 3.2% annual rate in the advance estimate for the first quarter of 2019, the details of the report were a mixed bag," explains Chief Economist Scott Brown. "Growth was stronger than expected; however, it was boosted by faster inventory growth and a narrower trade deficit – both of which he believes are likely to reverse in the second quarter." U.S. global trade deficit has marginally widened from February to March, but interestingly enough has narrowed with China to its lowest level since March of 2014, giving the White House political ammunition to continue their trade dispute approach.

The markets are hanging on Fed Reserve Chairman Powell's every word and the latest consensus points to a 71% probability of a rate cut by year-end. In fact, the 10-year Treasury yield is ~85 bps below last year's high – dropping below 2.4% (frankly a boon for the real estate market). Fed officials are regularly reviewing monetary policy strategies, tools and communications policies. All of this, combined with a steeping yield curve and positive first-quarter earnings, has helped make this year a positive one for diversified portfolios.

Looking at the economy and capital markets, there was some first-quarter softness in domestic demand due to the longest partial government shutdown in U.S. history in January. Consumer spending and business fixed investment also slowed. Many of the key components are expected to rebound in the second quarter. Inflation continues to remain low and below the Fed 2% target. The unemployment rate declined to 3.6% in April, the lowest rate since December 1969. Average hourly earnings for all employees on private nonfarm payrolls increased by 3.2% over the past 12 months. In short, the economic data is solid and the economy does not appear to be overheating. In more good news, dividends are expected to grow an additional 7% in 2019 to another record level. The dividend yield on the S&P 500 is currently 1.9%. While that is low compared to historic yields, it is appealing versus the yield on Treasuries. In a recent interview, Warren Buffet said U.S. equities remain very attractive versus bonds if yields stay at current levels.

“Internationally, global equity markets continued to make progress in April,” shared Raymond James European Strategist Chris Bailey, “distancing themselves from December 2018 lows despite a rising dollar and a lack of overt progress in key geopolitical debates, including the U.S./China trade discussions and Brexit. April saw some downbeat comments from the European Central Bank about the Eurozone’s economic progress and continuing difficult manufacturing output and sentiment data in Asia. Brazil and China made positive progress on legislation to help boost economic dynamism,” Bailey added. Toward the end of the month, the global corporate earnings season started solidly in both Europe and Asia.

“Turning our attention to emerging market equities, the recent rally is likely to continue, especially if a U.S.-China trade compromise comes to fruition. China is attempting to stimulate its economy via pro-growth monetary and fiscal stimulus with the budget deficit challenging record highs of 4% of GDP. While the U.S. dollar bull market run has reached a record duration, celebrating its 11-year anniversary, the rally is likely to see a period of consolidation.

“While we see progress in the emerging economies, the hangover from the trade war still looms. Data continues to confirm that economic damage has been done. By the World Trade Organization’s estimation, global trade in 2018 increased by only 3.0% (down from its previous estimate of 3.9%) and is projected to fall further to 2.6% in 2019. While short-term headwinds exist, the emerging market scope for population growth and urbanization provide them the most potential to “catch up” to their wealthier, developed counterparts. On the other hand, Europe and Japan are the less attractive cousins,” explained Chris Bailey.

While the stock market in 2019 is off to a great start, it is not feasible for markets to continuously rise or continuously fall, so don’t get caught up in the short-term volatility or the media noise. It’s important to stay focused on long term trends and your financial plan. Staying disciplined during times of uncertainty is critical to being a successful investor and achieving your goals.

- Investing involves risk and investors may incur a profit or loss.
- The information contained in this report does not purport to be a complete description of the securities, markets or developments referred to in this material. Any opinions of this date and are subject to change without notice.
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- The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material accurate or complete.
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- The NASDAQ Composite Index measures all NASDAQ domestic and international based common type stocks listed on The NASDAQ Stock Market and includes over 3,000 companies.

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## PERSONAL

Wham! Kris barreled over backwards and slid down the mountain on his back. When he stopped, his knees, head and everything else seemed fine. Kris was standing at nearly 12,000 feet waiting for his daughters to ski down to him. As he was waiting, a snowboarder drilled him in the chest. After Angie, Macy (6) and Kora (8) arrived, the family decided to continue skiing for the rest of the day. Down at the village, Kris realized the pocket that held his iPhone wasn't zipped up. No cell phone. He thought it must have fallen out when the snowboarder ran into him. The ski lifts were now closed and there was no way to get back up the mountain until the next day. Angie knew Kris had meetings scheduled in the morning and the girls didn't have school, so she decided Monday would be mommy-daughter adventure day. The three girls drove up to Winter Park and were on the first ski lift Monday morning. After they made their way to the top of the mountain, the Panoramic ski lift shut down due to high winds (immediately after they hopped off the lift). Now above tree line and with the wind chill below zero, Angie and her daughters skied down a few hundred feet to where they think their dad got hit. The strategy was to drag their ski poles in the snow hoping to hear the pole strike the phone. Angie had also logged into Kris' phone remotely and was sending a ping in the hope they would hear it. It was hard to hear anything with the intense howling winds. Kora was determined to find dad's phone and didn't want to quit. Macy said she couldn't feel her toes anymore. Mom thought about continuing the search or getting her girls off the mountain. They had been looking for the phone for thirty minutes already and she decided it was time to go. Macy's toes needed to be inside. The ski lift was still closed due to the high winds. Just then, Kora heard a ping. She began to frantically dig in the snow. More than a foot below the surface, she found her dad's phone. She held the phone to the sky in a moment of pure joy! The three Fisher girls skied down the mountain, charged the phone on the way home and dropped it off at dad's office. Kris was shocked they found it. The phone has worked great ever since. Macy and Kora talk about the mommy-daughter adventure day all the time!



Kora found dad's phone



Macy discovered chocolate covered waffles

In the fall Emily and Garry spent time in Europe celebrating Emily's birthday and their ten-year anniversary. And, although Emily did not receive a tin or aluminum gift, the Swiss vistas, Bavarian countryside and the Italian "la dolce vita" made for amazing memories. Garry is still buzzing from the espresso consumed.

At the end of January, the clans reunited for a long weekend in the Rocky Mountain winter wonderland. With Baba (Emily's mom) in tow, the Kachkovsky and Fisher families spent four days together. Ava, as with most athletic endeavors, took to skiing immediately, bombing down the hills as if she has been at it for a few seasons. Elle was also enthusiastic on hitting the slopes, eagerly jumping on the magic carpet ride and practicing her "pizza" and "French fries" skills. It's fun watching kids embrace a new challenge. Bendy knees and Gumby joints are the keys to a steep learning curve. On the other hand, Emily, Baba and Garry exercised caution maneuvering down the slopes as hordes of skiers and snowboarders whizzed past them.

Ava turned seven in November and has been almost inseparable from her birthday present – a pink scooter. It's hard to believe that in less than one month she will be finishing first grade. Ava has been working hard on math, reading and writing this year, ever improving on her way to a fun summer. Elle turned four in March. She is sweet, caring, outgoing and downright hilarious, inciting a belly laugh from Ava at every turn.



Ava and Elle spending Easter at the beach      Ava and Elle hitting the slopes at Copper Mt.

Thank you for your trust, confidence and friendship.

*"Forget yesterday - it has already forgotten you. Don't sweat tomorrow - you haven't even met. Instead, open your eyes and your heart to a truly precious gift - today."*

— Steve Maraboli

A blue ink signature of Garry Kachkovsky.

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A blue ink signature of Kristian R. Fisher.

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