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Dear Valued Clients:

Summer has turned to fall, and there's already a little chill in the air. Three-quarters of the year is behind us now, and both stock and bond markets have had a strong year so far, although we expect to see regular—but normal— bouts of volatility as we progress through the fourth quarter. The first week of October has lived up to the market reputation as a volatile month, however it's important to keep in mind that October has been the third strongest month on average for the S&P 500 Index for the past 20 years. There are several key factors to watch the rest of the year as the weather continues to cool and end-of-the year activities heat up.

Trade and impeachment have garnered a lot of the headlines recently, but behind the scenes the U.S. economy has remained resilient. Economic data has been increasingly above expectations. The most recent data points to third-quarter economic growth that's consistent with the long-term trend of the current expansion, which is now more than a decade long.

Trade headlines have improved in recent weeks. U.S. and China negotiators are scheduled to meet October 10, and the Chinese recently began purchasing U.S. soybeans and pork products again. Reports that the United States would curb U.S. investment in China surfaced and were quickly refuted by the White House. Finally, with the 70th anniversary of the People's Republic of China behind us, China's leadership may be in a better position to strike some sort of a trade deal. Even a limited agreement could help shore up business and investor confidence.

While the impeachment process will receive a lot of press attention, it is not expected to have much impact on the economy or markets. The main risk is that the political discourse may harm investor confidence.

Recession fears have heightened recently following a soft September report on U.S. manufacturing from the Institute for Supply Management. Domestic manufacturers continue to struggle with slowing international growth, tariffs, and a strong U.S. dollar. It's important to note, however, that manufacturing comprises just 12% of the U.S. economy based on gross domestic product, while consumer spending contributes nearly 70%. U.S. consumer spending remains in good shape with low unemployment and rising wages.

Overall, fundamentals for the U.S. economy remain favorable despite trade uncertainty and increasing political risk in Washington, D.C. U.S. economic data has been exceeding expectations, and consumers continue to benefit from a solid labor market. With further progress on trade possible in the months ahead and more Federal Reserve rate cuts anticipated, this bull market may have room to run.

It’s not uncommon for people to ask, “What does all this mean to me and my portfolio?” We are glad you asked. Over the last few years we have allocated most portfolios to meet or slightly exceed our clients risk score from Riskalyze. This has allowed most of our clients to see strong double-digit growth numbers year to date. Volatility has been below historic norms, until recently. The economy is showing signs of slowing on a global scale, so we think it is a prudent time to take some gains from high performing sectors like Technology and Consumer Discretionary. We have also paired down our holdings in Small Cap Growth and moved those assets to a more value-oriented group of dividend paying stocks. These changes in September were the second set of significant changes this year. In May, we rotated out of Ultra Short and Floating Rate Bonds into bonds with longer maturity dates and higher interest rates in anticipation of the multiple rate cuts from the Federal Reserve. This has paid off as expected – higher income and capital appreciation in the underlying bonds within the three bond funds we moved into.

In May of 2017 Dave and Teresa bought an investment advisory firm in Oklahoma that specialized in working with employees of AT&T. People have recently been asking us if we only help AT&T retirees. Although, helping AT&T retirees and pre-retirees is still a major focus of ours, we do have many clients that worked for other companies. We help most of the spouses of our AT&T clients, many friends and family members of AT&T clients; as well as, people from all kinds of jobs and all walks of life. If you or someone you know has assets from AT&T or anywhere else, we’d love to talk about consolidating those assets at Premier Investment Advisors. Many people argue that you should not put all your eggs in the same basket. While we believe that to be true, we also believe it’s a great idea to get all your chickens on the same farm. It’s easier to be properly diversified and properly allocated if you have all your assets in one place. To use a different analogy, you wouldn’t go to three different doctors, tell each one a different symptom and expect any of them to properly diagnose or treat you, would you? We believe your investments also benefit from one primary money manager and we’d love to be that entity.

Please contact me if you have any questions and enjoy the autumn weather.

Sincerely,

Dave A. Reed and Teresa M. Adams

Your Partner on the Path

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