2019 Review: Q1

Delivering Smart, Simple Solutions.

What should we make of the last six months, other than it's tough to know what to believe.

CTMA recognizes the downside of Oct, Nov & Dec in the markets was startling and the rush back up has been equally so.

Is the market back and headed higher or is it 1953, 1969, or 2000? Those years correspond to the lowest unemployment rates during economic cycles since records have been kept (2.5%, 3.4%, and 3.8% respectively). The unemployment rate as of the last report (4/2019) is 3.8%. Why does it matter? *(see section on Employment/Recessions and Markets)*

When the Federal Reserve changed its collective mind in January to stop raising interest rates, the momentum in the market changed. Money or changes in flow move markets! Sometimes in temporary ways, but in the long run capital is allocated to invest in businesses and economic trends that prevail overtime.

When the Federal Reserve decided to make money cheaper by saying they wouldn't raise interest rates or better yet would stop liquidating their balance sheet, it was a very dramatic change. These changes altered the short term money flow.

As we ended 2018 the Federal Reserve was telling everyone they were going to raise interest rate and liquidate it's balance sheet. They still hold significant debt from the 2008 mortgage and banking crisis.

Both of these "New" approaches carry short and long term implications.

Many experts are now quoted as saying debt doesn't matter. That remains to be seen.

This cycle is all about technology and how it's going to continue to change all of our collective lives. It will, but how quickly and has over investment occurred. It always does! Artificial Intelligent (AI), Self-Driving–All Electric Cars, and the latest "Apps" seem to be on everyone's mind or at least on all the headlines.

But other trends have also been at the forefront at different times as well. The Internet in the 1990s led to the Dot Com Bubble, Zero Down Payment Mortgages and the Mortgage Crisis, to name just two recent over investment cycles.

Another factor in the first quarter of most years (excluding some disaster years e.g. 2009) is during the early part of the year, many companies and individuals make contributions to their retirement plans and pension funds. Sometimes this causes an overall increase in demand for investments and can help to accelerate price increases.

If anyone would like to discuss these issues further, as a client of CTMA, we welcome your thoughts and questions. We know it can be confusing!

CTMA manages assets to provide value over time. We continue to believe in moderation and allocating to companies paying us to own (Yield) and in areas of the world where the demographic trends are strong (Eastern Hemisphere). Please see our attached 2018 annual letter.

However sustaining value and balance requires us to continue down the path of reinvesting the yield, growing money over time and being measured in reallocating client assets. Even though your accounts have increased in value, we caution any exuberance. Many companies we follow, although we don't own them, are losing money but are increasing in price.

CTMA recognizes each client has unique goals, risk profiles and liquidity or distribution needs. We are responsible to our clients and will do our best to help realize your objectives.

Please take a moment to login to your Schwab account and let us know if you have any questions. We will be sending out individual follows ups to update your personal financial profiles in the next few weeks.

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(continued)

Employment Recessions & Markets:

Since the government began reporting on Employment in 1948 one thing has always been true. Low unemployment rates correspond to the onset of recessions with varying degrees of time. Market prices of assets fall during recessions as the over investment in a trend becomes exposed.

However unemployment can stay low for extended periods of time as low interest rates and money helps keep the investment flowing, keeping people employed.

The three lowest unemployment rates mentioned earlier above coincided with specific times:

- From January 1951 the rate was 3.7% until its low in June of 1952 when the rate was 2.5%. This time corresponded to the Korean War and the draft.
- From February 1966 the rate was 3.8% until its low in May of 1969 when the rate was 3.4%. This corresponded to the Vietnam War and the draft.
- From May 1997 the rate was 4.9% until its low in December of 2000 when the rate was 3.9%.
- Currently: From October 2016 the rate fell below 5% or to 4.9% and as of March 2019 it is at 3.8%.

- The economy runs on Workers, Capital and Productivity (how well the capital is used). When money is cheap and workers are plentiful there is more room to grow. Innovation drives growth and the explosion of technology can not be underestimated.
- Also Baby Boomers are staying in the labor force in record numbers making 65 to 70 year olds the fastest growing segment of the labor force!

We are not suggesting a recession is directly in sight, in fact J.P. Morgan just reported earnings on April 12th and said consumers are continuing to spend and the tax cuts are still working.

What we are saying is cycles occur and we continue to respect history. Being flexible and understanding your objectives and liquidity needs is key to long term wealth management.

Please let us know if you have any questions. Otherwise look for a request to update your Financial Profile in the next few weeks.

Thank you for the opportunity!