



# SAM NEWS

2nd Quarter 2019 Report  
July 2019

## Seesaw Quarter

Stocks Rise in April, Fall Sharply in May, Then Set Records in June

*After a stellar first quarter rebound, U.S. stocks continued their rise during the past three months. In May, stocks sold off sharply as investors grew concerned about the impact of tariffs (both current and threatened) and their effect on the economy. During the month of June, stocks rose again to all-time highs as some economic data points softened and expectations for a future Federal Reserve rate cut rose. With some leading economic data softening, what should investors expect for the remainder of the year and beyond? Please read our SAM Outlook and Strategy, on page 2.*

### 2nd Quarter 2019 INVESTMENT REPORT

U.S. stocks, as measured by the S&P 500 rose 4.3% during the second quarter. The tech heavy Nasdaq Composite added 3.6%, small company stocks as represented by the Russell 2000 were up 1.1%, while the DOW 30 gained 3.2% for the quarter. International stocks as measured by the MSCI EAFE Index also advanced 2.5%. The Barclays Capital Aggregate Bond Index rose 3.1% as the Federal Reserve put interest rate hikes on hold. Gold finished the quarter at \$1,414 per ounce- the highest level since 2013.

### INVESTMENT INDICES

All numbers listed are total returns (including dividends) and are percentage gains or losses.

	<u>2nd Quarter</u>	<u>Year-to-Date</u>	<u>2018</u>	<u>2017</u>
Dow 30	3.2%	15.4%	-3.5%	28.1%
S&P 500	4.3%	18.5%	-4-4%	21.8%
Nasdaq	3.6%	20.7%	-3.9%	28.2%
Russell 2000	17.0%	1.1%	-11.0%	14.6%
MSCI EAFE (Int'l stocks)	2.5%	11.8%	-16-1%	21.8%
Barclays Capital Aggregate (Bonds)	3.1%	6.1%	0.0%	3.5%

### NEW SAM WEBSITE LAUNCHES

During the quarter, our website went through a major redesign. Mike contracted with a professional web design firm and oversaw the project. We would encourage you visit our updated website- [www.SierraAM.com](http://www.SierraAM.com). If you know of someone who may benefit from our service, please share our web address and/or our phone number.

### SAM PRESENTATION

In conjunction with a guest speaker from Principal Investments, we will be hosting a free dinner presentation focusing on Medicare and Social Security planning. The event will be held on Tuesday, July 9<sup>th</sup> from 6-8:30 PM at the Blue Heron Restaurant in Coarsegold (Yosemite Lakes Park). This event is focused on acquiring new clients from the mountain area, but current SAM clients are welcome to attend. If you have questions about the event or would like to RSVP, please call our office.

### Annual Review Appointments Continue

We are continuing to set annual account review appointments. If we have not met this year and you would like to set an appointment, please call our office toll-free at 877-658-5193 and we will meet with you right away.

### Upcoming Stock Market Holidays

Independence Day, July 4th  
Friday July 5th, SAM Closed  
Labor Day, September 3rd

**SAM Outlook and Strategy on the following page.**

**SIERRA ASSET  
MANAGEMENT**

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It seems that we get daily questions from friends, family and existing and prospective clients about our thoughts on the direction of the stock and bond markets over the short run. As we have consistently said, it is very hard to make short-term predictions for the markets, but we have great confidence over longer time periods. No wonder people are more curious lately- the S&P 500 has crossed the 2,800 level 19 times since it first reached that level in January 2018. By the end of the second quarter, the S&P 500 had closed solidly above 2,900.

Our general outlook for the economy and stock market remains positive. With the Federal Reserve expected to cut rates and no major obvious imbalances currently observed in the economy, this expansion could continue. Many recession forecasts have been pushed out to 2020 or 2021, and at this point a “mild” recession is predicted. Keep in mind that recessions are relatively small blips in economic history. Over the last 65 years, the U.S. has been in an official recession less than 15% of all months. We are carefully monitoring the incoming economic data and will proactively adjust our client portfolios as conditions warrant.

**SAM STRATEGY**

After rebalancing to take advantage of the volatility and lower stock prices during the 4<sup>th</sup> quarter of 2018, we have not made many changes to our stock investments so far in 2019. The stock portion of our portfolios is performing in line with our various equity benchmarks. We continue to emphasize U.S. growth companies but maintain an allocation to international stocks. We acknowledge that it has been a tough period for owning non-U.S. stocks, but international stocks add diversification, currently have higher expected future returns when compared to U.S. stocks, and reduce portfolio volatility. International stocks make up over 45% of the global investable market- a figure too large to ignore. In general, we remain fully invested and near the maximum stock allocation allowed by each strategy.

With the Federal Reserve on hold and possibly considering a future rate cut, our bond holdings have fared much better than we anticipated. Heading into 2019, the consensus was for continued Fed rate hikes. With the U.S. economy firing on all cylinders at that time, we agreed with that line of thought. Interest rates have now declined dramatically after peaking in November. Since interest rates and bond prices move in opposite directions, bond prices have again increased. We continue to own short-term, intermediate-term, and high-yield bonds. Our Bond allocation is adding solid value to the fixed income portion of client portfolios so far this year.

**INTERESTING FACTS**

June, 2019 is the 120<sup>th</sup> consecutive month of an economic expansion in the United States, tying the record set between March 1991 and March 2001. The nation has maintained records on the country’s business cycles. i.e., expansions and contractions, since 1854. (source: National Bureau of Economic Research)

Who Pays? When the United States imposes a 25% tariff on an imported good from China, e.g., a television or a laptop, the tariff is paid to the US Customs and Border Protection Service by an American based broker who represents the US Retailer (the “importer of record”) who is buying the Chinese good, i.e., the Chinese government does not pay the tariff. (source: US Customs)

**IMPORTANCE OF LIVING TRUSTS**

As its most basic function, a living trust will ensure that each of your heirs inherits exactly what you want them to and will do this more efficiently than a traditional will. With a will, your heirs will have to go through the probate process. This will make all your finances part of the public record and it can also become incredibly lengthy and expensive if your will is legally challenged. A living trust will allow your heirs to bypass all of that.

In addition to cleanly and efficiently transferring your assets to your heirs, a living trust will also include other end-of-life provisions such as establishing medical directives and a power of attorney for your finances or selecting a successor trustee and a guardian for your minor children. The goal of a living trust is to make sure that any scenario that arises when you reach the end of your life is accounted for.

SAM recommends having a living trust written for the vast majority of our clients. Please call our office if you would like a referral to a local estate planning attorney.



*We sincerely appreciate your continued trust and confidence. Sending new clients our way is the best possible compliment we can receive. If you know of someone who may benefit from our service, please do not keep us a secret. There is no cost to meet for an initial consultation.*