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It seems like only weeks ago the kids and grandkids were celebrating the conclusion of another school year. Now, as we move deeper into September we are right back into another school year. Last time we sent our letter out the market had been on its way back from the market correction we experienced in February due to strong first quarter earnings. Since that point, the market has continued to rise (nearly reaching or exceeding January's highs depending on the index) and second quarter earnings have all but completed resulting in nearly 75% of companies beating expectations[1]. Another quarter of positive earnings among other stories have led the S&P 500 to gains of 0.6% in June, up 3.7% in July, and up 3.3% in August. Many of you have expressed your pleasure in seeing this on your monthly statements. We like it too! Regardless of those positive results over this summer, many investors are still uncertain of what the future holds as there are still topics that appear to have more questions than answers. Hopefully, we can provide some clarity on some of the more pressing topics below.

First, TRADE! Global trade is complex and it has been one of the most influential topics surrounding the market and our economy as a whole in 2018. In order to understand how we got to this point, we need to understand where the US came from. Whether we like to admit it or not, the US economy has subsidized foreign economies through tariffs for decades – post WWII till now. The strength of our economy has allowed this to happen without many perceived or observed negative effects on the everyday American. Before the current administration put any tariffs in place, the World Trade Organization had reported numbers on the average tariff by country. The US average tariff is 3.4%[2], by contrast some of the major trading partners of the US had average tariffs at substantially higher rates: Canada (4.0%), Mexico (6.9%), the EU (5.1%), and China (9.8%). Our administration has now put tariffs on foreign countries in hopes of bringing them to the negotiating table in order to put America on a more even trading arrangement. Many unknowns still exist, but all of the trading partners listed above have proactively come to the table with us in one form or another. Some deals, such as those with Mexico and Canada, appear closer to a resolution. China still seems a bit further away, but still possible in our opinion. Our thoughts at this juncture point to these tariffs and subsequent negotiation leading to better trade deals for America's future rather than an all-out trade war today.

Another major topic to discuss is the strength of the US economy itself, specifically in regard to the American worker and wages, or the lack of wage growth until now – something that indirectly may have been a prerequisite to the Great Recession. Many of you have heard the news stories dealing with corporate taxes being drastically reduced and taxes being cut for American workers. We are happy with the tax cuts for the sake of corporate earnings and the astonishing impact on the overall market as a result, but what does that really mean for the American worker? The last jobs report (Sept. 7th, 2018) started to give us more clarity for what this means to the everyday American. The skinny - average hourly earnings have grown 2.9%[3] since a year ago this time, which is the largest trailing 12-month growth since the middle of 2009. Many people may see this figure and think this is just another example of the rich getting richer, but that's not the case at all. The usual earnings of the top 10th percentile have grown 1.2% over the last year ending the second quarter, whereas the usual earnings grew 3.9%[3] for the bottom 10th percentile. Even more impressive, the usual earnings for those who did not finish high school went up 7.6%, the highest in any category over the last year. Trade skills are coming back because the US economy is booming. This upward trend in wage growth coupled with growth in corporate earnings leads us to believe the US is on the right track economically. So, although there are still many unknowns, what we do know leaves us optimistic for the foreseeable future.

We continue to urge our clients to stay committed to the investment plans we have worked to build with you and ultimately remain invested. We still favor stocks over bonds at this time and most of your portfolios reflect this in your custom allocations. With the obvious unknowns of trade negotiations and the mid-term elections, we fully

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expect to see some volatility in the markets leading into November. We will continue to do our part by staying abreast of the issues that can affect your portfolios and monitor them closely should any potential change be needed. If you have any questions or concerns don't hesitate to call us. We welcome calls you may think are a "silly" question if it gives you relief to hear the answer. It beats our clients sitting at home worrying about how some particular issue may or may not affect them.

As always, The Person Wright Financial Group greatly appreciates your business.

Sincerely,

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Financial Advisor
Managing Director - Investments

Jesse Wright

Jesse Wright, CRPC®
Financial Advisor
First Vice President - Investments

Alex Person

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Allie Underberg
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[1] Source: Bloomberg
[2] Source: First Trust Economics Blog, US Stops Subsidizing Global Growth
[3] Source: First Trust Economics Blog, Wage Growth Steps Up

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