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## Economic & Market Update

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At this point in our economic cycle, it is important to consider a long-term view of investing. Over the past 20 years, a U.S. Treasury purchased at par has returned 6.36% annually. The S&P 500 over the same time period has returned 5.2% annually. Taking a slow and steady approach in the Treasury market has outpaced the broad U.S. equity market by over 1% per year! This was achieved without taking the roller coaster ride that equities have been on since 1999 (Tech Bubble/2008 Financial Crisis). In fact, the S&P had returned 0% from early 2000 until early 2013. 100% of returns have come in the last 6 -years.

The main reason equities have done well over the past 6-7 years has been central bank intervention. Central banks around the world are experimenting with financial engineering to prevent corrections in markets and extend the natural business cycle. This isn't just the US Federal Reserve doing this, but all central banks around the world. Unfortunately, they will find out they don't have as much control or the tools to achieve this. Interest rates have been kept low around the world intentionally to spark growth that has not come. What we've witnessed instead, is corporations utilizing low rates to increase stock buybacks in order to inflate equity prices. The stock market isn't always the best indicator of how the real economy is fairing. What the central banks are doing isn't actually helping the real economy which we can see in GDP.

World GDP is slowing again, especially in advanced economies, which are only growing at 1.8% annually. US GDP is also expected to stay stagnant this year with 2<sup>nd</sup> quarter GDP coming in at 2.1% and 2018 GDP revised below 3% (despite a \$1.5 trillion tax cut). Our Federal Reserve has stated they may have to lower interest rates again in the near future to spur economic growth. This is not a sign of a booming economy! With the business cycle coming to an end it's likely the next big move in markets is stocks down 30%-40% and bonds up (yields down) 30%-40%.