Investor Newsletter brought to you by My Portfolio Guide, LLC : Issue # 24 Summer 2019

the Guide

INSIDE THIS ISSUE :

INVERTED YIELD CURVE!

Who told you an inverted yield curve means the sky will fall? Do you (or they) really know what will happen? Allow us to reset this stance with one fact!

MARKET RECAP

How did the stock market do last quarter? Take a look at how different benchmarks and indexes did versus your own portfolio. What's on the horizon?

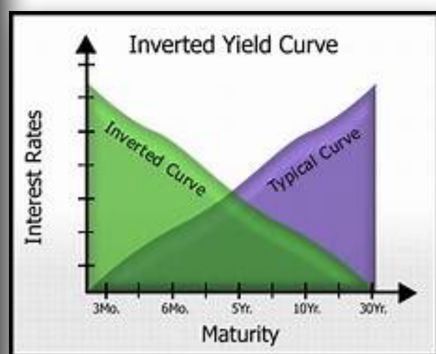
EDUCATION CORNER

It's common knowledge that we're not supposed to talk politics in business settings… but do politics have a place in your portfolio? Learn more!

NEWS & NOTES CALENDAR

Here today gone to Maui! Stay in paradise , FREE, for one week as a 'Mahalo' from My Portfolio Guide! Read more about our unique way of thanking you for your referrals and loyalty!

Recession Guarantee!?!



Say or hear something enough times, whether it's true or not, and it becomes factual to many untrained eyes and ears.

Is an inverted yield curve a good thing? Perhaps not but conversely it doesn't guarantee a recession or some sort of impending doom. Believe it or not most of the "experts" barking on about this are making this stuff up. Don't overthink things nor take everything you read or hear as gospel.

Before we dig into what an inverted yield curve could portend for the economy and stock market, let's first quickly touch base with the legendary free-market economist, Milton Friedman. Back in 1961 he wrote a famous paper called "The Lag in Effect of Monetary Policy". The paper basically shows us that there is a six to nine month delay in how long it takes for a change in monetary policy to be reflected in the economy and stock market.

If the Fed was shifting from a "tight money" stance we would therefore see the contraction somewhere in mid 2020. Guess what? **Money is not tight…**

We are currently enjoying multi decade unemployment lows and consumer confidence remains quite high. The additional drop in mortgage rates has also given some new life to home sales. All that being said, an inverted yield curve still spooks many pundits.

You're going to see a lot of compelling stories about why the inverted yield curve is a death sentence to the economy! Before it sends you into full panic mode, please note the following:

The S&P 500 has had positive returns on average during the 3-month, 6-month, 1-year and 3-year periods after the the first day of the last 5 yield curve inversion events (8/17/1978, 8/20/1980, 12/09/1988, 5/26/1998, and 12/30/2005). The market then averaged 3% 3 months later, 6.9% after 6 months, 17.3% after a year, and 29.8% after 3 years.

	2019	2018	2017	2016	2015	2014	2013	2012
20 / 80	8.88%	-3.90%	4.71%	3.89%	0.29%	7.58%	4.86%	6.57%
40 / 60	11.13%	-4.70%	8.44%	6.12%	-0.08%	9.44%	11.74%	8.93%
50 / 50	12.25%	-5.09%	10.31%	7.24%	-0.26%	10.38%	15.18%	10.11%
60 / 40	13.38%	-5.49%	12.17%	8.36%	-0.45%	11.31%	18.62%	11.29%
70 / 30	14.50%	-5.89%	14.04%	9.48%	-0.65%	12.24%	22.06%	12.47%
80 / 20	15.62%	-6.29%	15.90%	10.59%	-0.82%	13.18%	25.51%	13.65%
S&P 500	17.90%	-7.74%	20.37%	9.54%	1.38%	13.34%	32.39%	16.00%
Mid Cap	12.70%	-13.19%	18.37%	9.59%	-2.81%	15.39%	33.5%	17.88%
Small Cap	12.50%	-13.44%	15.51%	16.56%	-4.85%	8.14%	41.31%	16.33%
MSCI EAFE	6.90%	-14.82%	25.19%	1.77%	-12.67%	-4.08%	23.29%	17.90%
Emerging	4.30%	-17.00%	30.52%	9.39%	-17.61%	1.02%	-2.27%	18.63%
Bonds	6.80%	-3.01%	0.68%	0.04%	-2.29%	3.23%	-2.02%	4.21%

MARKET RECAP

How did the "Market" do ???

Never rely on the media to tell you "how the market did". The answer is different for everyone because investors should be allocated specific to *their* goals and risk tolerance.

The above chart shows several (6) basic portfolio allocations with their corresponding performance over different time periods.

20 / 80, for example, represents 20% in the S&P 500 and 80% in the U.S. Aggregate Bond Index. Other major indexes are also posted (S&P 500, Mid, Small etc) MSCI EAFE represents 23 developed International countries except for the US or Canada.

If you thought 2018 was a surprise in so far as stock market predictions, 2019 is leaving most in a hurricane of emotions and uncertainty. Recent volatility has been caused by three main factors:

(1) Trade tensions with China.
(2) Fears of a slowing economy amplified by news of an inverted yield curve.
(3) The market is "long in the tooth" as we are now in the 10th year of a rising tide.

Will the Fed cut rates again? We don't agree with the general consensus on this as most had called for upwards of three cuts. Look for maybe one more and that could possibly help assuage recession fears.

Several of the models and algorithms we follow are pricing in more volatility and therefore adjusting accordingly. While we don't believe this is a time to get bearish quite yet, we are fully prepared to take advantage of the strong likelihood of more turbulence. Every portfolio we manage has a portion that is specifically designed to not only mute volatility but is positioned intentionally to build a reserve of "dry powder".

As we alluded to earlier, a flat or inverted yield curve is not a foolproof predictor of a recession. Pay more attention to facts and evidence instead of fear feeding fear.

In the meantime... "**Stay disciplined to stay positive" -MPG**

EDUCATION CORNER

Portfolios and Politics!

"Money is the mother's milk of politics."

-Jesse M. Unruh

The problem with political jokes is that they get elected.

(Henry Cate)

Dave Ramsey Said it Best

Like him or not, our take on Dave Ramsey is much of what he says is simple logic and basic advice that we all should inherently know. We're obviously huge fans of avoiding needless debt and saving for a retirement. On one of his past shows, however, he said something that really resonated with us: "***Pull your head far enough out of your politics to have an original thought***".

In this day and age of hyperpartisan politics it's understandable that we as investors can easily get even more emotional and tied up in our opinions.

Obama and Trump

Without question each of those two names will undoubtedly conjure up an emotion from you or at the very least an opinion! Depending on how you voted during each of the last two elections it likely also triggers thoughts on how you thought each President would impact our economy and stock market.

In 2008 we received several calls from clients after Obama won and they wanted to go straight to cash since they thought he was "unproven" or "was a socialist". Without getting too political we tried to talk them off a ledge and approach things more rationally. We're glad we did as the market eventually recovered from the deepest recession of our lifetime.

Conversely, in 2016 when Trump was elected, we also fielded such calls where some clients thought he was a "racist, xenophobe, mysogynist" etc (insert a name here). They too were flat out wrong as it related to any investment premise.

We won't get into which type of White House leadership gets the best stock market results but the whole point is… while you may not like the election result you need to "get your head out of your politics" at times.

Policy and What Does Matter

Presidents and administrations will indeed have an effect on your investments but do yourself a favor and try to remain rational if your candidate of choice lost/won:

Taxes- In general more taxes usually has a negative effect on the stock market.

Money Supply- What the Fed does with regard

to increasing or decreasing money supply ultimately results in deflationary or inflationary environments.

Interest rates- Put yourself in the shoes of companies and business owners. If they can get cheaper credit they're likely to enjoy higher profits.

Regulations- Another generality, but increased regulations typically have a negative effect on the stock market.

Government spending- While we all rely on certain basics the more government agencies spend or perhaps misallocate, the more challenging it can be on the economy and the stock market.

Laws- Congress and state legislatures are always passing laws and depending on how those pan out it can most certainly impact which sectors of the economy you should be exposed to in your portfolio.

"Not Gonna Lie"

We're not in the politics business but in the financial services industry there is no way around it not being front and center to so much of what we digest. Whether you come into our office wearing a Bernie shirt or a MAGA hat you're going to get treated with respect. Our personal viewpoints aside, you will also be told the truth as it relates to the current environment and whether your opinion may be hindering your success as an investor. At the end of the day what people are looking for is a steady and rational hand to trust and that's our primary goal.

Here's What Typically Happens…

If we can't agree that investing based on how you vote is not a good formula, let's at least go back to something that is a fact: ***Human behavior is still based more on feelings than it is thinking.*** There are too many examples, some of which we just have given you, that speak to the fact that each of us is prone to get our investment decisions wrong due to who is in the White House. Emotional, impulsive, or irrationally based knee-jerk reactions often become the most expensive ones you'll ever make.

Some facts that bode well for anyone, regardless of their political stance, is that the stock market tends to climb throughout a President's four years in office.

By year it goes as follows:

First year = 57%
Second year = 65%
Third year = 91%
Fourth year = 82%

As you can see the fourth year is historically not as strong as the third but still overwhelmingly positive. The first two years are typically ones where a new President attempts to push through the most legislation. If that is not accomplished it makes for some tough sledding during the latter part of their term in office.

Uncertainty is Not Your Friend

What the stock market hates, and ultimately shows up via increased volatility, is uncertainty. The reason the third year of a presidential term is resoundingly positive is due to political gridlock. Simply put, not as much meaningful legislation gets done after midterm elections. As we approach 2020 there will be a narrowing of possible future presidential candidates and that, coupled with political gridlock, actually bodes well for the markets.

The Good News Guide!

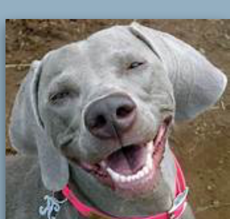
How often do you turn on the news only to get depressed, scared, or angry? Sharing pictures of puppies, unicorns, or giving you chocolate may not alleviate all that but on this page we're going to try and at least share some other news with your wary eyes!

While there is an unlikely chance cancer will be cured in 2019, we are seeing incredible developments in immunotherapy. Scientists are uncovering innovative ways to use the body's own immune system to fight cancer via joint therapy and engineered T-cells.

A small village in Rajasthan, India now plants a tree every time a baby girl is born. The leader of a village had lost his 16 year old daughter in 2006 and decided to ensure something positive would transpire from his grief and treasure each baby girl. Since 2018 there have been 350,000 trees planted!

Amazon has launched an initiative called Fulfillment by Amazon (FBA) Donations. They will allow eligible excess and returned products to be donated to charitable organizations. This program will roll out in the US and United Kingdom this September.

While not always highlighted by the mainstream media, unemployment rates for minorities are at record lows! Since records have first been kept in 1972, we've never seen rates this low. The jobless rate for African Americans dipped below 7% for the first time ever and for Hispanics it hit a record low of under 5%.



Did you know that the act of smiling, even if forced, releases chemicals in the brain that improve your mood? Lastly, did you know that August is "Happiness Happens Month"? Cheers!!

News & Notes:

Call us!

Maybe we did this backwards but for years we had a toll free "vanity" number spelling out the word "Guide" in the digits. Our initial idea was that since we served clients nationwide we would save them a dime by hosting a toll-free number. The reality is that the majority of our clients call us directly and each of our financial advisors shares their mobile number with every client as well.

Please do take note of our direct office line though: **(562) 799-5595**

Over the past few years we have made significant upgrades with technology and basically run a paperless office. If you're dying to stick with archaic habits, however, we do have a fax number for you!
(562) 799-5501

Beach Time!

Apologies for the click bait headline but as you know we're constantly trying to train your eyes and mind! Whether you're near the beach or not My Portfolio Guide is pounding the pavement in our local community.

Matt Pixa most recently joined the Long Beach Century Club which is a nonprofit organization that supports amateur athletics throughout the Long Beach area. As a former collegiate student-athlete himself this is a wonderful opportunity to give back to the community.

You'll also see Matt more in the community as he recently was nominated to serve on the Board of Directors for the Seal Beach Chamber of Commerce. After being a member for the past 10 years it was time to expand our role with some local leadership. Over the past year My Portfolio Guide has also served as a member of the Finance Committee helping the St. Jude Neighborhood Health Centers.

Lastly, for those local business owners and professionals who wish to connect with other motivated and successful people, give the Beach Cities Business Group (BCBG) a look! We founded this networking group with the goal of helping people connect to quality businesses and services in the area. Contact My Portfolio Guide directly if you would like more information or want to check out a monthly meeting!


CALENDAR:

August 2019

8/8/19:

Seal Beach Chamber of Commerce

Old Ranch Country Club

Seal Beach, CA

8/9/19:

Beach Cities Business Group

My Portfolio Guide offices

Seal Beach, CA

September 2019

9/14/19:

25th Annual Jewels of the Night

Walter Pyramid

Long Beach, CA

9/25/19 - 9/26/19:

First Trust Due Diligence Meeting

The Phoenician Resort

Scottsdale , AZ

Normally our Calendar section lets you know where and what we're up to over the course of the current and upcoming quarter. Along with a little bit of that information we want you to know of something that could offer you a wonderful opportunity to make travel plans of your own!

My Portfolio Guide is extremely appreciative of our loyal clients who have introduced us to friends and family members that ultimately have become clients. It is often said that the truest form of a compliment is a referral and we want to show you just how grateful we are.

Pack your bags and sunscreen as we want to send you to the beautiful island of Maui! For the remainder of the year we will enter your name into a drawing each time we receive an introduction or referral that results in a new relationship with My Portfolio Guide. For those clients, friends, and other professionals who have already sent us a referral this year we will make sure to add your name into the hat. (please remind us if we haven't spoken about this already!)

The winner will be announced in December and will receive two airline tickets and a 7 day free beach condo stay in the quaint south Maui town of Kihei! This condominium is in the Hale Kamaole complex right across the sands of Kamaole III which is one of the best and most relaxing beaches in the world. The condo comes fully equipped for those who want to cook, BBQ, or enjoy a dinner on the lanai. It has an ocean view, is near a relaxing pool and tennis courts, and is just a short walk to the beach.

Again, this is our way of saying Mahalo (thank you!) to you for thinking of us and not keeping our name a secret! Each person that refers us a new client ($100k portfolio or more) will have their name entered in the drawing and enjoy a week of their choice to enjoy paradise. Good luck and thanks again for thinking of us!

As always if you're interested in meeting in person please contact us directly on our office line at **(562)799-5595** or you can email us at info@myportfolioguide.com to reserve a time to meet.