

Thursday, July 18, 2019

Good Morning,

Stocks extended their rally last week as Fed Chair Powell's congressional testimony boosted confidence the Fed will cut rates at the end of the month. This week has seen more caution as Q2 corporate earnings season has begun and investors will soon learn if elevated stock prices are warranted based on profits.

We are starting to hear more and more about the US debt ceiling as our government is projected to run out of money in September. The debt ceiling debate is heating up in Washington with Republicans likely to push for more defense spending and Democrats for non-defense outlays. Things will get heated and both sides will get a little of what they want – just like always. It seems that nobody in DC is concerned about the nation's incredible debt level. The big government credit card is coming out despite an empty bank account.

As the third quarter of 2019 commences, we are concerned about complacency as many investors seem to believe the Fed will save the day, the U.S./China trade dispute will be resolved relatively soon and massive China stimulus will boost global growth. We think this combination is a stretch and that increased market volatility is likely. A strong showing in corporate profits could minimize our concerns in the near term.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Enjoy your week.

Wade

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