

Thursday, July 25, 2019

Good Morning,

The third quarter is off to a decent, if cautious, start. So far second quarter corporate earnings have been solid, mostly exceeding analysts' expectations. Second quarter retail sales far surpassed expectations. While the Fed is still likely to cut rates next week, consumer weakness will not be one of the reasons for the cut. In fact, consumer strength in the second quarter should help bolster economic growth in the face of headwinds created by slowing worldwide growth, weak manufacturing and the effects of continuing tariffs.

As I suggested last week, the debt ceiling has been raised and is off the table for the next two years. Included in the debt deal is the elimination of the mandatory spending cuts created by legislation in 2011. While the agreement appears to create "additional spending" of \$320 billion, it looks to me more like avoiding a cut of \$320 billion. The impact on our economy should be positive, especially as we see growth slowing. However, the agreement does nothing to address our exploding deficit and that could be very dangerous down the road.

Can you believe it's almost August!? Perhaps markets are ready to pause after recent moves to new highs. August has been the worst performing month for the S&P 500 since 1994. The stock index has suffered an average loss of 0.6% (total return) during August over the last 25 years (1994-2018). With a Fed rate cut next week already priced into markets, anything less than that will surely have August starting out on a disappointing note.

Please visit our website at www.canfg.com or the link below for the last Market Update from Commonwealth Financial Network® – the broker/dealer that supports us in helping you manage your financial life.

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 the rest of July!

Wade

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