



CAPITOL WEALTH MANAGEMENT LLC
TRUSTED - LOCAL - EXPERIENCED

- CAPITOL CONNECTIONS -

Mid-Quarter Market Update - Trade Wars Edition

By Keith Burbank

Investors entered April worried over disappointing economic data and a poor February jobs report, but sentiment quickly reversed following a wave of upbeat news including better than expected corporate earnings and raised guidance for the remainder of 2019. The better than expected earnings, plus comments that signaled a trade deal between the US and China was near completion, propelled the S&P 500 and Nasdaq Composite Indices to reach all-time highs.

	S&P 500	DOW JONES	NASDAQ
APRIL 2019	3.9%	4.9%	2.6%
YEAR TO DATE 2019	17.5%	22.2%	10.1%

The good vibes continued through the first week of May as the S&P 500 and Nasdaq continued to reach new highs, but then the market momentum came to a screeching halt.

Instead of making progress on a trade deal, the US announced plans to increase tariffs on Chinese goods. Early last week, China announced a retaliatory round of tariffs on US goods, causing another move down and higher volatility for stocks which sold off nearly 5%. The abrupt change in trajectory in US-China trade negotiations was a stark reminder that the strategic trade policy differences between the worlds two largest economies are not easily overcome.

The bond market is clearly putting the Fed on notice that if trade tensions do not get resolved, the Fed will need to step in and take its recent change in policy direction to the next level. Until last week, the Fed Funds curve was pricing in one rate cut over the next two years (with a 2021 Fed Funds rate of 1.88%). So, the assumption that the Fed was going to be out of the picture for a while may not be so true anymore.

So what does this all mean?

As with most things, it depends on a multitude of factors. The fluidity of the situation with trade, earnings and the Fed, means that valuation is the main mechanism for uncertainty. The stock market multiple was around 17x before the sell-off and now sits at about 16.7x. The question as always is what is the right multiple? - *Continued on pg. 2*

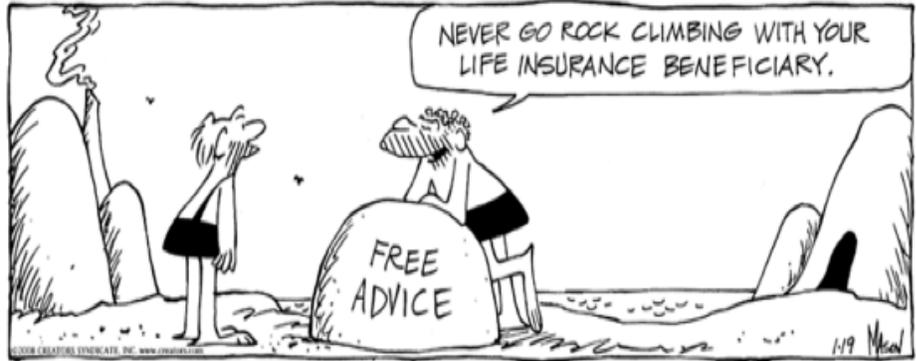
Mid-Quarter Market Update - Trade Wars Edition- cont.

In December the market bottomed at 13.6x after peaking at 19.5x in January of 2018. Both those multiples seem like the extreme, but in times of greater uncertainty, investors are less willing to endure higher valuations and a contraction in the multiple seems warranted. If trade tensions increase from here, investors may demand more of a contraction in valuations while a resolution to the trade negotiations should signal higher valuations ahead.

In times of heightened volatility, it's important to remember what kind of investor you are. As a long-term investor with a clear plan and investment strategy built around your timeline, risk tolerance and goals, you need not worry about each daily market move and should stick with your long-term plan.

The Dreaded Conversation of Life Insurance

By Clayton "Skip" Poole, Director of Client Relations



Nobody enjoys chatting about their mortality; it can be a rather depressing topic. In fact, if you ask a person what the odds are of them dying, they will usually give you a percentage rather than understanding the fact that those odds are 100%. Life insurance is the only insurance that will, at some point, pay a claim assuming all the premiums are paid. All other insurances are issued with the hopes they will never have to pay a claim; not so with life insurance. Given that understanding, everyone should be quite eager to have a life policy. That thought, however, is not the case.

Life insurance can be overwhelming in its policy varieties and difficult to understand at first glance. The needs for life insurance are many and vary with the wishes of the insured. Replacing lost income at death, final expenses, paying taxes, creating a legacy for children, helping to endow a favorite charity, creating an immediate estate, etc., the list of reasons to have it can go on and on. There needs to be two main ingredients in order to have a policy underwritten and they are first, the health of the proposed insured and then second, making certain that there is an "insurable interest" for the parties involved. Simply put, there needs to be a relationship or negative financial impact to a beneficiary when the insured dies.

One of the most important aspects of life insurance planning is determining how much coverage is needed. Working with a financial professional will help you determine this and other considerations such as whole life versus term or universal life or how to structure premium payments. Everyone's situation is unique. Today it's even possible to have all or most of your premiums refunded to you after a certain amount of time has elapsed.

The least expensive life insurance will likely be the insurance offered by your employer as part of their group coverage. Although these benefits are important, they often give temporary security only to stop offering that coverage when employment terminates. When this happens, one typically must scramble to get coverage on their own at a higher price and hopefully without any prevailing health concerns. Planning is key and can be accomplished with a meeting with an insurance professional who, at the very least, can help make a complicated subject become more palatable while offering peace of mind at the same time. Capitol Wealth Management is delighted to be of assistance in these matters so that clients don't fall victim to the adage, "People don't plan to fail; they fail to plan".