

# SPOTLIGHT ON FINANCE

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## Turbulence When Flying

By Lauren O'Brien, CFP®, CPA

Have you flown on an airplane recently? Was there any turbulence - or, excuse me, the new phrase is "rough air"? I hate turbulence in the air; it makes me anxious, it's hard to concentrate on the book or podcast I was inevitably trying to get through, and it's just plain uncomfortable. **But**, I'm not afraid of it. I know that it's a natural result of certain patterns in the air. Plus, with any luck, it will be short-lived.

It's the same way with volatility in the stock market. It can make you anxious, it can be hard to focus on other things, and it's - frankly - just plain uncomfortable to sit through. But it's a very natural occurrence with stock markets. Markets go down, and markets go up. It's how they work.

The last few months have seen some strong volatility days in the market - if we were flying, the fasten seatbelt sign would be on. But we wouldn't be turning the plane around. Even with pesky, annoying, longer-duration turbulence, the plane keeps flying to your destination.\*

The name of the game becomes trying to distract yourself rather than concentrating on the turbulence. In the middle of rough air is not the time to read airplane articles on rough air! It's only going to make you more anxious! Instead, chat with your neighbor. Take a nap. Listen to a podcast series. Meditate. Have a dance party in your seat. And remember to breathe.

*\*I am not a pilot, nor have I ever operated a plane, so I cannot guarantee that every single plane has continued flying to its destination...however, in my travel experience, we have always 100% arrived at our final destination. :)*

Lauren is a Senior Wealth Advisor with Lara May Advisors, a division of XML Financial Group. You can read about Lauren [here](#).

## View on the Market



### Growth

The third estimate for 2Q19 real GDP growth came in at 2.0%, driven by consumption and government spending that were partially offset by inventories, net exports and housing. Looking ahead to the third quarter, inventory growth should decline further while consumer spending and government spending will likely grow at a more moderate pace, and trade numbers should continue to be weak. Weakness in economic activity is evident in the data out last week; the ISM manufacturing PMI dropped to 47.8, the lowest since 2009, and ISM services dropped to 52.6 from 56.4.



### Jobs

The unemployment rate fell to a fresh 50-year low of 3.5% in September, while the labor force participate rate remained steady at 63.2%. Nonfarm payrolls increased by 136,000 in September, below expectations of 150,000. This appears to be roughly in line with August, except September only added 1,000 temporary 2020 Census workers, while last month 25,000 Census workers were added, resulting in more permanent job gains in September. Wages disappointed, flat on the month and rising just 2.9% y/y for all workers. With fewer unemployed people, fewer discouraged workers and fewer people joining the labor force, the labor supply is constrained, which should be a headwind for long term growth.



### Profits

With 22 companies having reported (4.9% of market cap), our current estimate for 3Q 2019 is \$40.25, and EPS growth is at -2.7% y/y. Although consensus analyst estimates call for negative earnings growth, given the average earnings surprise since 2012, earnings growth could be modestly positive. Headwinds to earnings include slower global growth, lower oil prices and a stronger dollar, plus comparisons to a robust 3Q18 pose a challenge earnings growth. Margins will remain under pressure from rising wages, higher input costs and some tariff impacts. However, buybacks look set to add about 2%-points to the overall level of earnings growth, providing a partial offset to the decline in margins. From a sector standpoint, healthcare is set to deliver the strongest results, while energy may deliver the weakest due to lower oil prices.



### Inflation

Headline CPI inflation was flat m/m in September, and rose 1.7% y/y, held down by a 4.7% y/y decrease in energy. Core CPI increased 0.1% m/m and 2.4% y/y. The August PCE deflator remained relatively stable, with headline PCE flat m/m, and up 1.4% y/y. Core PCE was up 0.1% m/m, and increased 1.8% y/y with a revision upwards for the prior month to 1.7% y/y. Firming inflation pressures erode the rationale for further rate cuts by the Federal Reserve..

## Rates

The Federal Reserve cut its target range for the federal funds rate by 25bps to 1.75%-2.00% at its September meeting. The rationale for the cut was global developments and muted U.S. inflation. However, there were conflicting messages from a dovish statement and a more hawkish press conference as to whether these cuts would continue. Chair Powell seemed to reaffirm this cut was still part of a “mid-cycle adjustment” rather than the beginning of a longer rate cutting cycle but left it up to the economic environment going forward to determine the future path of rates. We anticipate one more cut this year.

## Risks

- Unresolved trade tensions may exacerbate a slowdown in global growth.
- An escalation in tensions between the U.S. and Iran could cause an oil shock.
- Corporate debt is rising and declining in quality.

## Investment Themes

- Risk assets have reasonable valuations and may have room to run heading toward the end of this cycle.
- Credit and short duration tend to perform well late cycle, while core fixed income protects heading into a downturn.
- Long-term growth prospects and cheap absolute and relative valuations support international equities.

*This article was written by Dr. David Kelly, Chief Global Strategist and Head of the Global Market Insights Strategy Team for J.P. Morgan Asset Management. Please be aware that this material is for information purposes only. Any forecasts, figures, opinions, statements of financial market trends or investment techniques and strategies expressed are, unless otherwise stated, J.P. Morgan Asset Management’s own at the date of this document. They are considered to be reliable at the time of writing, may not necessarily be all-inclusive and are not guaranteed as to accuracy. They may be subject to change without reference or notification to you. JPMorgan Asset Management Marketing Limited accepts no legal responsibility or liability for any matter or opinion expressed in this material.*

*The value of investments and the income from them can fall as well as rise and investors may not get back the full amount invested. Past performance is not a guide to the future.*

*Data are as of October 14, 2019. Past performance does not guarantee future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss.*

*The S&P 500 Index is widely regarded as the best single gauge of the U.S. equities market. This world-renowned index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the S&P 500 Index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market. An investor cannot invest directly in an index. Indexes are unmanaged.*

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*The views expressed are those of J.P. Morgan Asset Management. They are subject to change at any time. These views do not necessarily reflect the opinions of any other firm.  
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## RMD Time

The end of the year is rapidly approaching. If you are required to take a required minimum distribution (“RMD”) from your IRA in 2019, the clock is ticking.

Once you turn age 70 ½, you must begin taking annual RMDs from your IRA, 401(k), 403(b), TSP or other retirement account. This minimum distribution is calculated using IRS life expectancy tables and the value of your retirement account at the end of the previous calendar year. Certain inherited retirement accounts (Beneficiary IRAs) also have minimum distribution requirements regardless of age. A ROTH IRA is the only type of retirement account that is exempt from a mandatory RMD.

Required Minimum Distributions must be taken by December 31st each year (unless it’s your first distribution, then a different rule applies). Failure to do so will result in a 50% tax penalty on the distribution amount not withdrawn. Visit [www.irs.gov](http://www.irs.gov) for additional details which are outlined in IRS Publication 590.

You may have already satisfied your RMD if you have taken one or more distributions throughout the year. If you are unsure, give us a call.

## Start Now – 10 Financial Literacy Apps for Kids

You know how quickly young children can learn new things. So, teaching them financial literacy at an early age can lead to smart decisions later in life. Check out this [Kiplinger](#) article that shares ten financial literacy apps that can be used on a smart phone or tablet. It’s never too early to start teaching kids about money!

## Cigna Study Reveals Loneliness at Epidemic Levels in America

Earlier this year, health service company Cigna published results from a national survey they conducted with market research firm, Ipsos. It explored the impact of loneliness in the US and found that most American adults are considered lonely! To read more, follow this [link](#):

*There is no affiliation between XML Financial and Cigna.*

# Beware of Phishing!!

## Did you get an email you weren't expecting?

For example, if you receive an email from eBay stating that you have just won an online auction, there are a couple of questions you should ask yourself:

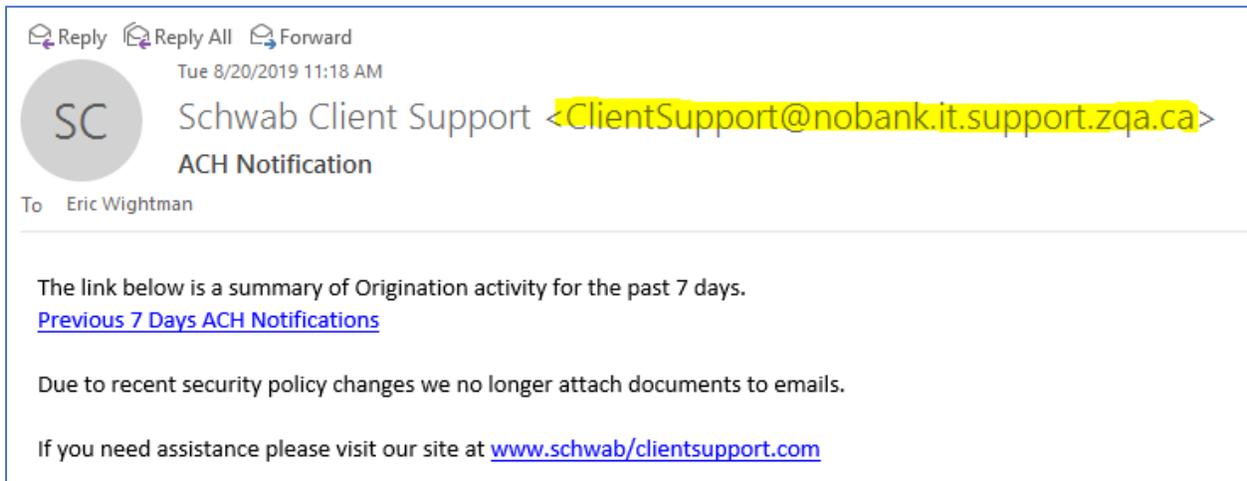
Are you a member of eBay? Did you bid on any auctions recently? If you did not bid, you cannot have won.

This does not apply to eBay alone. This goes for online banking as well. If you receive an email from a bank you do not have an account with, do not click any links. The bad guys can use any online service such as banking, shopping and social networking to try and trick you.

## Remember to evaluate the email before clicking on any links.

**Do not** click a link in the email to visit the site. When in doubt, open a browser and type in the address of the company website of the person who sent you the email. From there you can log in to your account to verify any activity that has taken place.

Our own **Eric Wightman** received a phishing email recently (see image below). Scammers create email that can look like the real deal. Besides the fact Eric has no account with Schwab, look a little closer and you'll notice the sender's address isn't what you would normally expect to see, and that is usually a dead giveaway.



## Additional Tips:

When online accessing a banking site or any other application containing sensitive data, make sure you log out of the site and THEN close your browser.

If you simply close your browser, some of the session information that a hacker can use to gain entry is still running in the background.

Before you click, slow down, look and think....protect your data.

## XML Financial / Lara May Advisors Staff News

XML was pleased to participate as a sponsor of [Par4Life](#), the annual golf tournament hosted by the [Devon C. Rubenstein Foundation](#) (“DCRF”) on September 23rd. DCRF is dedicated to creating a culture of awareness and understanding around teen suicide and most importantly, to aid in suicide prevention.

Senior Wealth Advisor, **Lauren O’Brien, CPA, CFP**, along with a committee of volunteers, spearheaded a TED program, [TEDx OronocoBayPark](#), by hosting a half-day program on October 5<sup>th</sup>.

TEDx brings the spirit of TED’s mission of ideas worth spreading to local communities around the globe. Thousands of TEDx programs are organized around the globe annually by volunteers looking to discover ideas and spark conversation in their local community.

The pure act of spreading ideas ignites conversation; and, through these conversations, ideas, beliefs, and assumptions can be thoughtfully challenged and further developed. And when we’re able to create a space for this kind of idea sharing, we can change attitudes, lives, and – ultimately – the world.

XML would like to welcome **Jason Laroche**, Client Services Associate. Jason has extensive experience in the financial services sector and is a great addition to our team.

A congratulatory shout-out for the accomplishments of our wonderful staff at **XML / Lara May Advisors**:

- XML-W Partner & Director of Women, Wealth & Wellness, **Michelle P. Cooper, JD, MBA**, is being honored by [JWI Magazine](#) as one of their 2019 Women to Watch. Their fall 2019 issue features 10 extraordinary Jewish women role models who will be honored with [Women to Watch](#) awards this December.
- **Michelle** will be a speaker at the *Mamas Talk Money Summit* on October 23<sup>rd</sup>. This free, 5-day virtual summit will include:
  - 40+ sessions from amazing women who are personal finance, career, and business experts
  - Over 30 hours of content on family finance, investing, career development, raising financial rock stars (plus a ton more!)
  - Q&A with speakers during their presentations
  - + FREE workbooks, templates, how-to’s and thousands of dollars of giveaways
  - If interested, you can register here: <https://mamastalkmoney.com/>
- Associate Wealth Advisor, **Carlos Fuentes** and Client Services Associate, **Nicole Minns**, recently passed the Investment Adviser exam.
- Senior Wealth Advisor, **Jason Klopman, CFP®** and his wife Nina on the birth of their second daughter, Macie, on October 6<sup>th</sup>.
- Our Chief Compliance Officer, **Jennifer L. Szaro, CRCP®**, will be speaking as a panelist regarding Cybersecurity at the FINRA Small Firm’s Conference in Santa Monica California on October 23<sup>rd</sup>.
- **XML Financial / Lara May Advisors** opened a new satellite office in Alexandria, Virginia. The Frisco, Colorado office is moving to a new location in Breckinridge effective November 1<sup>st</sup>.

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