



**WEALTH
STRATEGIES**

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My Views from Center St. to Wall St.

"The more I learn, the more I realize how much I don't understand."

~ Albert Einstein

- New hopefully improved communication
- My current views and beliefs
- I'm not predicting a bear market or recession, yet
- Summer Camp and Berry's Pharmacy new location

For the last 28 years I have written a quarterly commentary (now titled Jeff's Perspective) to my clients. This commentary has certainly evolved over the years, but has basically summarized the previous 3 months, what worked, what didn't and provided a bit of forecasting for the next 3 months and beyond. I hope you have found that to be helpful. I know it helps me to write it by forcing me to clarify my thoughts and beliefs. But, I believe I can do a better job of communicating my views of the investment and economic landscape to help you understand the decisions I make when implementing and adjusting investment strategy. "My Views from Center St. to Wall St." will provide my insight on how I see the investment landscape today and into the future.

As you read the following information, I'm not predicting a recession or a bear market in the near term. In fact, the economy by most metrics is still healthy. But, I believe we are in the late innings (I'm not good enough to tell exactly what inning) of this game. We are certainly not at the National Anthem, and we are not in the third inning. I believe we are past the 7th stretch, and we need to begin thinking about our investment strategies accordingly. To use a quote from Ned Davis, "Investors need risk management in bear markets, not in bull markets."

My Current Views:

- The political climate in Washington is toxic and that's about as nice as I can say about it. This makes any tax reform less likely or less meaningful. I'm not going to commit on health care reform within this letter, but saying it's a mess is grossly understated. The market wants and needs tax reform to justify current levels.
- I believe the U.S. Stock Market is expensive (perhaps and certainly some stocks have reached a bubble phase). The so called FAANG stocks (Facebook, Amazon, Apple, Netflix, and Google) may be changing the world, but cannot go up forever. Narrow leadership increases the odds of correction.

- The Federal Reserve is now in a tightening phase. They are raising rates and will start unwinding the 4.5 trillion of bonds it holds on its balance sheet. For investors, a golden rule is "don't fight the fed". Raising rates and selling assets is not likely to make the economy stronger than when it started.
- I believe that excessive global debt along with over promised benefits will create extreme volatility over the next 2 – 5 years as governments look to restructure debt.
- I believe as the world resolves its debt crisis, it will result in significant market correction and recession.
- I believe once we get past this "Great Reset", a term coined by John Mauldin, one of the great investment minds in the world, there will be tremendous investment opportunity.
- I believe it is my job to get you through the "Great Reset" and to the next investment opportunity in good financial shape.
- I believe that traditional asset allocation strategies are going to be "challenged" to provide the risk reduction attributes of the past. Primarily due to low bond yields and asset classes, that are more closely correlated today than they were in previous years.
- I believe bull markets are more fun than bear markets.

As I stated earlier, I'm not predicting that a bear market or recession is imminent. This market can still go up. I just finished a call with a research and money management firm suggesting the U.S. is in a "Goldilocks" period and the economy and markets are going to continue to grow. I hope they are right. But I believe that proper preparation will help prevent poor performance when this current economic cycle ends.

So how should we invest?

While I still believe fundamentally in the multi asset philosophy that we currently utilize as the core of a portfolio – a strategy of diversified asset classes – U.S. Stocks, International stocks, real estate, natural resources and bonds – the theory of the portfolio is that these asset classes don't move in the same direction at the same time...up or down. This is called non-correlation and is designed to reduce overall portfolio volatility and risk. This is a wonderful strategy when asset classes are truly non-correlated, but that is not the reality anymore. Moving forward, I believe it will be necessary to diversify investment strategies that are not committed to a buy and hold process for any particular asset class. We are already doing this to some extent with our "explore" allocations (Niemann and BTS). My current quest has been to find a way to do this with our "core" allocations. I believe I have found a solution and will be communicating this solution over the coming weeks.

I do not want you to read this letter and think you need to adopt a "bunker mentality". I don't believe the views I have expressed are going to happen immediately, but each day that goes by we get closer to the end of this cycle. As a result, I want you to know that I will do all I can to prepare portfolios for the next downturn. I said before, but I believe it is worth repeating, proper preparation will help prevent poor performance.

On a Personal Note ~

I cannot believe how fast summer has flown by. July 4th has come and gone. School starts back in less than a month. The days are long and years are short.

It has been a busy time for my family. My youngest, (Julianna turned 12 on June 9th) went to and spent 3 weeks again at Camp Greystone in North Carolina. It is a great experience for her, she loves it. Me on the other hand, struggle with her being away for 3 weeks. But, as Julianna is quick to point out to me, "It's a really nice place, I'm going to have a great time and it's really good for me." Leave it to a 12 year old to impart the emotional and intellectual support her dad needs.

Jennifer and I spent an evening in Asheville the night before picking Jules up. This has become our little mini summer vacation and with Jen's schedule looks like our only summer vacation.

Many of you know Jennifer is running Berry's Pharmacy now. Her dad's health has not been good over the last year and a half and Jennifer has put her heart and soul into the business. In addition to learning the pharmacy business, they are changing locations. (Berry's Pharmacy has been at 1717 Ft. Henry Drive for 48 years, but in a couple of weeks it will be relocating to 460 Center St. (the old Appalachian Credit Union building). We are very excited about the move, but it has been an unbelievable task to get this done. I really don't know how she does it all. She has learned a new business, she has found a new location and overseen a complete remodel, she takes care of 2 aging parents and runs our household. She is truly amazing. If you see her in the office tell her hello, as she whizzes in and out. I am really proud and hope that once the pharmacy relocation is complete she can slow down a little bit and enjoy life.

I hope you have found the first rendition of "My Views from Center St. to Wall St." helpful. To clarify, I do not believe we are about to go into a global recession tomorrow. On the contrary, the economic fundamentals are still pretty good. My concerns are that markets are expensive and excess in one direction, ultimately resulting in excess in the reverse direction.

If you have any questions, please reach out to me or my team at 423-247-1152 or email me at Jeff@BHRetire.com.

As always I am honored and humbled to be your wealth advisor.

Jeff