



**WEALTH
STRATEGIES**

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My Views from Center St. to Wall St.

"I have had a lot of worries in my life, most of which never happened."

~ Mark Twain

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What, me worry?

In my July letter, I listed a number of things that are worrying me about the markets. Including the political climate in Washington, which has just gotten worse with the horrific events in Charlottesville, VA this past weekend and the Federal Reserve embarking on a "tightening" phase (i.e. raising rates), just to name a few. Now we have to add the threat of Nuclear War to the list. It seems the North Koreans are determined to keep the U.S. and the rest of the world on high alert. While, I don't believe the North Koreans will escalate their threats to actually firing missiles, it cannot be completely ignored and it adds to the increasingly growing list of geopolitical risks that could disrupt the global economy. Which, by the way, is still healthy and growing, with Japan leading the way of the developed nations posting a surprising 4% GDP growth rate in the second quarter. It's strongest rate of growth in over a decade. The U.S. growth rate in the 2nd quarter was 2.6% by comparison. The world markets initial reaction to the nuclear tension was negative. The U.S. market was down nearly 1.5% and the VIX (a measurement of volatility) was up over 50% for the week of 8/7.

So what does this mean going forward. As, I approach finishing this letter the market is down about 1.5%(8/17) somewhat in reaction to a brand new terrorist attack in Spain, but also I believe it is partly due to the diminishing prospects of tax reform from Washington. I believe tax reform is very important and much of the market's gain since election night is on the prospect of lower taxes. It's basic equity valuation – stocks are priced on after-tax cash flows...lower taxes equal higher stock prices.

Not only does corporate reform look less likely, but there has been open discussion of higher individual rates. Not encouraging.

The world looks less hopeful than it did in the first few days following the election, when Trump was busy assembling his economic dream team.

For the record, the above comments are based on economic outlook only. They are not politically motivated in any way.

To put some positive perspective on this market. I just finished reading a blog by Brian Levitt, Senior Investment Strategist at Oppenheimer Funds entitled, "Are We Partying Like It's 1999?"

The jest of the blog, which acknowledges there are similarities, is that while this market is not cheap, it is nowhere near the excessive valuations of the tech bubble. In fact, U.S. equities are cheap relative to U.S. Treasuries. Also, in terms of valuation and performance, FAANG stocks do not resemble tech bubble stocks.

Preparing Portfolios

While my instincts are screaming a market correction or worse is imminent, I am reminded of some advice from Jerry Seinfeld: "If every instinct you have is wrong, then the opposite would have to be right." That's why as I do some rotational adjustments to the core portfolios I'm not trying to time this market. Nobody is that good. I am simply reducing some global risks and staying consistent with risk profiles and goals. If markets continue to go up we will participate, but if we are entering a downward trend, we have taken the 1st step in reducing some of the risk.

Personal Notes ~

The month of August has been a busy month in the Bingham household. On August 3rd Jennifer and I celebrated our 26th wedding anniversary by going to a John Sevier Middle School back to school bash. We have been to a lot of these over the last 26 years and it looks to me like both the teachers and parents of Julianna's peers keep getting younger! We did manage to get away for a few hours to a nice dinner and glass of wine at Gourmet Kitchen in Johnson City.

On Monday, August 7th it was back to the school drop off line at 7:30 sharp and at our house summer ended. I don't know about you, but I miss the days of school starting the day after Labor Day. Julianna however, takes it like a champ. She gets herself up most mornings, fixes her breakfast smoothie, and encourages either Jennifer or I to hurry up and get in the car.

The following Monday, Berry's Pharmacy opened the doors at their new location on the corner of Center and Clinchfield St. The new location is really nice and the blood, sweat, and tears that Jennifer, the Berry's staff and family have poured into this project was finally able to be viewed and experienced by the public. It was a really special day with Dave (Berry) able to be on site and help start the new era and see many of his loyal customers and new ones that stopped by to see the new location. I could not be more proud of my wife and oldest daughter, Jessica, who was involved with the move and is working on becoming a pharmacist. I encourage you to visit the new location and congratulate not only Jennifer, but the entire staff. I'm a little biased, but it looks awesome.

I'm going to wrap up this letter, and keep in mind 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