

Friday, September 28, was the last trading day in 2018's 3rd quarter, and the S&P 500 posted its strongest quarterly return in nearly 5 years.¹ The Dow also showed impressive returns by beating expectations for the quarter, while the NASDAQ notched record highs against 2017 numbers. For the quarter, the S&P jumped 7.2%, the Dow increased 9.3%, and the NASDAQ moved up 7.1%.²

Weekly numbers, however, revealed mixed performances: the S&P 500 slipped 0.54%, the Dow fell 1.07%, and the NASDAQ gained 0.74%.³ Internationally, the MSCI EAFE dropped 1.07%.⁴

As we learn more about the 3rd quarter, some details from last week offer perspectives on where we stand today.

What We Learned About the 3rd Quarter Last Week

1. Consumer outlook suggests positive trends continue.

A few early reports have given us a sense of positive trends in consumer activity during the 3rd quarter:

- **Consumer sentiment** rose in September to finish at healthy levels that beat August's performance, marking the 3rd time the index has moved above 100.⁵ With personal income optimism hitting a 14-year high, the positive trend suggests that nearly every population group now benefits from the 3rd quarter expansion.⁶
- **Consumer confidence** neared its highest reading since 2000, beating analyst predictions and inching closer to the dotcom's record highs.⁷ This rise came after a surge in August, prompting predictions that spending strength will carry us through 2018.⁸ From sentiment boosts in the stock market to positive home-buying trends, consumers remain optimistic.⁹

These numbers suggest healthy consumer outlooks, positive economic attitudes, and possible trends in increased spending.¹⁰

2. Companies anticipate softer profits.

Although corporate earnings in the 1st and 2nd quarters rose roughly 25%, 3rd quarter corporate earnings may miss that mark. Of the 98 companies in the S&P 500 that have released earnings outlooks, 74 predicted that earnings will fall below expectations from Wall Street. This ratio is the worst since the earnings recession of 1st quarter 2016.¹¹ Even with the softer outlook, analysts still expect the S&P 500 to post numbers that indicate a growing economy.¹²

3. Gross Domestic Product (GDP) growth shows signs of slowing.

Core capital goods (not including aircrafts) dropped 0.5% in August after July's negative performance—as demand for computers, electronic products, and motor vehicles waned. The shift prompted some analysts to revise their 3rd quarter GDP predictions downward. Yet, with a bump in wholesale and retail inventories, overall 3rd quarter growth remains in positive territory.¹³ The Atlanta Federal Reserve now predicts growth to be 3.8%, revised from an earlier prediction of 4.4%.¹⁴

4. Tariffs start to drag 3rd quarter growth estimates.

The early effects of tariffs seem to have surfaced, as exports are now trending negatively. On September 27, the International Trade in Goods report posted numbers that may predict slower 3rd quarter growth:

- Exports dropped 1.6% in August, continuing July's downward trend.
- Imports rose 0.7% yet have so far posted a trade negative for the quarter.
- The trade deficit hit \$75.8 billion, yet analysts believe this gap will narrow slightly once more 3rd quarter data emerges.¹⁵

If this trend involving exports and imports continues, the U.S. dollar may take a hit.¹⁶ Meanwhile, on September 24, President Trump added tariffs on \$200 billion worth of Chinese goods, and China responded with its own tariffs on \$60 billion of U.S. products. Though negotiations between the two countries have stalled, we will monitor the situation.¹⁷

What's Ahead

The Federal Reserve remained optimistic last week about the economy, raising the interest rate from 2% to 2.25%. The 3rd increase this year is no surprise but does suggest confidence in a growing economy and low unemployment numbers, and that a 4th quarter hike is highly probable.¹⁸

With new data coming in, we'll deepen our understanding of the economy's performance in the 3rd quarter. If you have questions about how this may affect you or your financial life, contact us today; we're ready and happy to help.

ECONOMIC CALENDAR

Monday: PMI Manufacturing Index, Construction Spending

Wednesday: PMI Services Index

Thursday: Jobless Claims, Factory Orders

Friday: Employment Situation, International Trade

DATA AS OF 9/28/2018

1 WEEK

SINCE 1/1/18

1 YEAR

5 YEAR

10 YEAR

STANDARD & POOR'S 500	-0.54%	8.99%	15.66%	11.62%	9.59%
DOW	-1.07%	7.04%	18.09%	11.83%	9.32%
NASDAQ	0.74%	16.56%	23.87%	16.36%	14.42%
INTERNATIONAL	-1.07%	-3.76%	-0.01%	1.65%	2.42%
DATA AS OF 9/28/2018	1 MONTH	6 MONTHS	1 YEAR	5 YEAR	10 YEAR
TREASURY YIELDS (CMT)	2.12%	2.36%	2.59%	2.94%	3.05%

Notes: All index returns (except S&P 500) exclude reinvested dividends, and the 5-year and 10-year returns are annualized. The total returns for the S&P 500 assume reinvestment of dividends on the last day of the month. This may account for differences between the index returns published on Morningstar.com and the index returns published elsewhere. International performance is represented by the MSCI EAFE Index. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

QUOTE OF THE WEEK



*“Happiness is not in the mere possession of money;
it lies in the joy of achievement, in the thrill of creative effort.”*

— Franklin D. Roosevelt

RECIPE OF THE WEEK



Tomato Panzanella



Serves 6

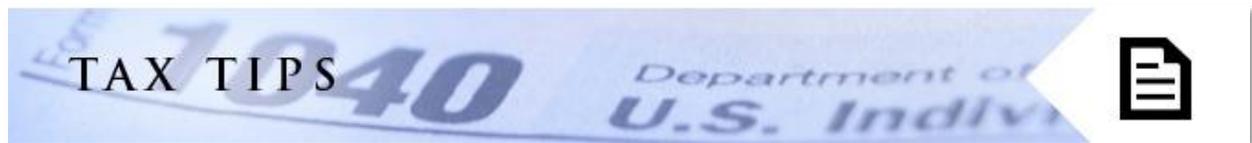
Ingredients:

½ loaf sourdough bread, preferably stale (about 1 pound)
2 large cloves garlic
6 anchovy fillets
3 cups basil
½ cup olive oil, plus more for serving
2 tablespoons sherry vinegar
Kosher salt
Pepper
2 pounds heirloom tomatoes (in various colors and sizes)
4 tablespoons unsalted butter

Directions

1. Preheat oven to 400°F.
2. Remove crust from bread and tear bread into large pieces.
3. Put garlic, anchovies, 1½ cups basil, and ¼ cup olive oil in food processor; finely chop.
4. Add vinegar and ¼ teaspoon salt; press pulse to create a thick dressing.
5. Slice tomatoes into wedges and chunks. Mix lightly with dressing. Let set for 30 minutes at room temperature.
6. At the same time, melt butter with the remaining ¼ cup oil in a small saucepan.
7. Gently shake bread and butter mixture together to coat.
8. Arrange in single layers on a baking sheet for roasting.
9. Turn the bread regularly until it is light brown, crispy, and slightly chewy on the inside, 15-20 minutes.
10. Gently add and mix in croutons with tomatoes. Carefully incorporate the rest of the basil into the mix by tearing leaves into smaller pieces.
11. Drizzle with additional oil and add fresh cracked pepper.

Recipe adapted from Good Housekeeping¹⁹



You Have More Time to Challenge IRS Levy

New tax laws enacted in December 2017 extend the time allowed to file an administrative claim or sue for wrongful levy or seizure. The new limit is two years.

Here are the facts about levies and the time extension:

- The IRS can seize and sell property to pay a tax debt. “Property” is defined as wages, money in your bank account, vehicles, and real estate.
- The timeline applies to property the IRS has already sold.
- If you make an administrative claim against the IRS within the two years, the time period is extended for either one of two periods (whichever is shorter):
 - 12 months from the date of the claim filing.
 - Six months from the date the IRS disallowed the claim.
- The rule applies to tax levies made before, on, or after December 22, 2017, as long as the previous nine-month period (prior to the levy) hasn’t yet expired.
- If you receive a “Final Notice of Intent to Levy and Notice of Your Right to A Hearing,” contact the IRS immediately. This may allow you to make arrangements to pay the tax debt before the IRS proceeds with a property levy.

Other details may apply, and you can find more information on the IRS website.

This information is not intended to be a substitute for specific individualized tax advice. We suggest you discuss your specific tax issues with a qualified tax advisor.

Tip adapted from the IRS.gov²⁰



How to Fix the Biggest Putting Mistake

First of all, stop listening to the advice of the friends or golf experts who tell you to put topspin on your ball to increase accuracy. It doesn’t work.

Here's how to make the ball plop into the hole as planned, says professional golfer Dave Stockton.

Concentrate on keeping the putterhead low through impact. The putterhead will naturally rise anyway. So, focusing on a low strike will produce a solid impact on the ball.

The center of the putter carries the most impact for a good putt. By connecting the center of the putterhead with the ball, you have more control of the movement and produce more distance.

Tip adapted from GolfDigest²¹



No More Stretching the Truth About Stretching

You hear the rumors: You must stretch; never stretch; hold stretches; don't bounce; do bounce; twist yourself into a pretzel.

So, what's the scoop on stretching?

First off, the traditional view:

- You have to hold your stretch to get the benefit.
- Don't bounce. You'll pull something.
- If you don't stretch before a workout, you're going to hurt yourself.

Not quite.

Now that we've thrown conventional wisdom out the window, what's the real deal?

According to the American College of Sports Medicine, stretching is good, but not mandatory. Stretching helps to keep older joints and muscles—particularly the hips and hamstrings—healthy and strong.

ACSM experts say you should stretch each of your major muscle groups for 60 seconds per exercise and do the stretches twice a week.

What about holding a stretch?

Stretching and holding for 15 seconds or so is called a static stretch, which if done correctly can be helpful.

Dynamic stretches, however, are just as helpful. With these types of stretches, you move your various muscle groups through the complete ranges of motion.

What about stretching before exercise? Studies show that it might not be such a good idea for peak performance. Static stretching, in fact, may weaken muscles before a routine. A gentle warm up may provide the best benefit.

How about after-exercise stretching? Static stretches might fit well at the end of your workouts when you have better circulation and your limbs and muscles are limber.

Stretching has benefits, but it would be stretching the truth to suggest they are absolutely necessary.

Tips adapted from WebMD²²



Cooking Up Energy Efficiency

Getting motivated to save money and become energy efficient in your kitchen is easy, once you know the facts.

Let's talk electricity. An hour's worth of cooking in a standard electric oven creates 2.7 pounds of CO². A toaster oven creates 1.3 pounds in 50 minutes. A microwave oven creates 0.5 pounds in about 15 minutes of cooking.

Using microwave ovens to cook also saves energy. Microwaves use half the energy of conventional ovens.

Dishwashers are modern marvels for two reasons: They save human time and energy and conserve water. The average dishwasher uses 8.7 gallons of water per load while the average dish washing by hand, with water running, uses 20 gallons.

Tip adapted from WWF²³

Share the Wealth of Knowledge!

Please share this market update with family, friends, or colleagues.

We love being introduced!

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia, and Southeast Asia.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

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Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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¹ <https://www.marketwatch.com/story/stock-futures-fall-dow-set-for-worst-week-in-three-months-2018-09-28>

² <https://www.cnbc.com/2018/09/28/us-markets-political-turmoil-and-data-take-center-stage.html>

³ <http://performance.morningstar.com/Performance/index-c/performance-return.action?t=SPX®ion=usa&culture=en-US>

<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=%21DJI®ion=usa&culture=en-US>

<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=@CCO>

⁴ <https://www.msci.com/end-of-day-data-search>

⁵ <https://www.marketwatch.com/story/us-consumer-sentiment-cools-a-bit-in-late-september-2018-09-28>

⁶ <http://mam.econoday.com/byshoweventfull.asp?fid=485859&cust=mam&year=2018&lid=0&prev=/byweek.asp#top>

⁷ <http://mam.econoday.com/byshoweventfull.asp?fid=485922&cust=mam&year=2018&lid=0&prev=/byweek.asp#top>

⁸ <https://www.reuters.com/article/us-usa-economy/u-s-consumer-confidence-races-to-near-18-year-high-idUSKCN1LD201>

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- ⁹ <http://mam.econoday.com/byshoventfull.asp?fid=485922&cust=mam&year=2018&lid=0&prev=/byweek.asp#top>
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- ¹¹ <https://www.cnbc.com/2018/09/26/companies-are-warning-about-declining-profits-and-that-could-be-the-catalyst-for-a-pullback.html>
- ¹² <https://www.marketwatch.com/story/this-trend-threatens-one-of-the-stock-markets-strongest-pillars-2018-09-26>
- ¹³ <https://www.reuters.com/article/us-usa-economy/us-capital-goods-orders-trade-data-temper-third-quarter-growth-forecasts-idUSKCN1M71PK>
- ¹⁴ <https://money.cnn.com/2018/09/28/investing/stocks-markets-third-quarter/index.html>
- ¹⁵ <http://mam.econoday.com/byshoventfull.asp?fid=486154&cust=mam&year=2018&lid=0&prev=/byweek.asp#top>
- ¹⁶ <http://mam.econoday.com/byshoventfull.asp?fid=486154&cust=mam&wiconly=1&lid=0#top>
- ¹⁷ <https://www.bloomberg.com/news/articles/2018-09-24/trump-imposes-next-batch-of-china-tariffs-as-trade-war-escalates>
- ¹⁸ <https://www.usatoday.com/story/money/2018/09/26/fed-raises-rate/1426946002/>
- ¹⁹ <https://www.goodhousekeeping.com/food-recipes/healthy/a22749964/tomato-panzanella-recipe/>
- ²⁰ <https://www.irs.gov/newsroom/taxpayers-now-have-more-time-to-challenge-a-levy>
- ²¹ <https://www.golfdigest.com/story/the-putting-mistake-youre-making-and-how-to-fix-it>
- ²² <https://www.webmd.com/fitness-exercise/features/how-to-stretch#1>
- ²³ <https://www.worldwildlife.org/pages/green-tips>