



KWB Wealth

2019

3RD QUARTER
NEWSLETTER

KEY TAKEAWAYS

The market is constantly dealing with uncertainty to a degree and it's how consumers and businesses respond to that uncertainty that determines returns over any given time horizon.

Tariffs have slowed the economy in the last few months and not just in the US.

It's our belief that President Trump can only hold to these tactics on trade for so long before he needs to change course.

The Certainty of Uncertainty

Steve Gormley, CIMA, Director of Portfolio Management, KWB Wealth Managers Group
Kerry Bubb, M.B.A., President & Chief Wealth Manager, KWB Wealth Managers Group

There's a statement that I've used in past newsletters that I wish I could take back: "The market (or the economy, or businesses) likes certainty." This statement makes it seem like the market only goes higher when participants know exactly how things are going to happen. In reality, it seems like when "certainty" appears more rampant it's time you run for cover. In 2000, the market was certain to rise because the internet had changed the world and growth stocks had nowhere to go but up. In 2008, the market was certain that home prices wouldn't fall because, well, they hadn't in a long time and land is a scarce resource.

The market is constantly dealing with uncertainty to a degree and it's how consumers and businesses respond to that uncertainty that determines returns over any given time horizon. Climbing the wall of worry, as they say.

A new twist on this uncertainty has revealed itself in the form of tariffs being enacted by the current administration and the unpredictable way President Trump has spread the news.

First, I'd like to state that we have no firm view on whether the tariffs are fundamentally good or bad. On one hand, many foreign policy experts agree that something needed to be done with regards to China and their ongoing theft of

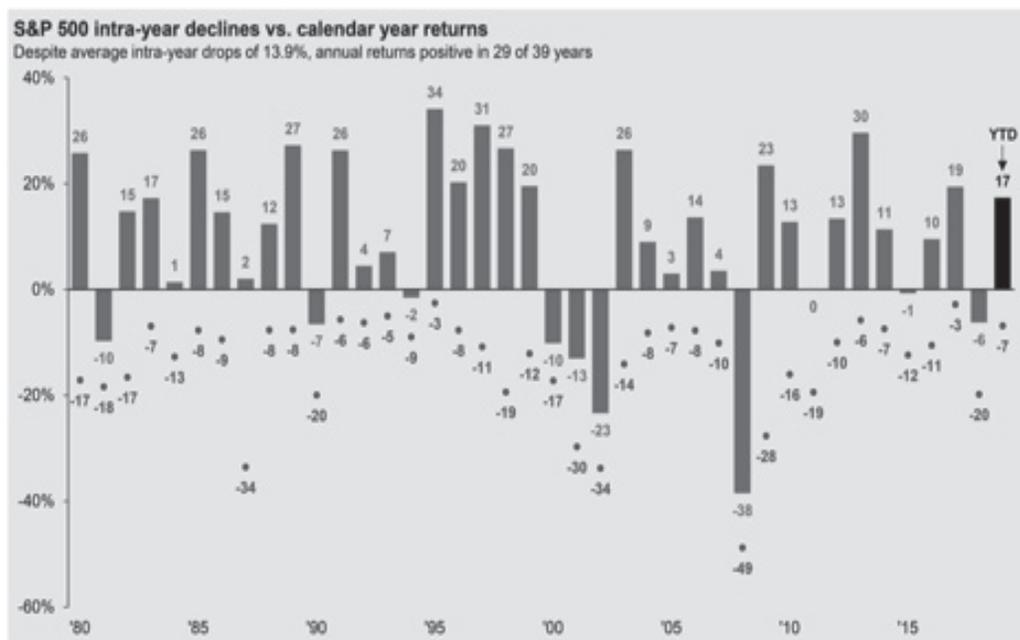


CHART ONE: Sources — FactSet, Standard & Poor's, J.P. Morgan Asset Management.

valuable intellectual property from US companies. On the other hand, economic studies have shown that tariffs act as a tax on consumers as companies pass on higher import prices to their customers. It's above our security clearance to know what levers the administration could have pulled to get China to the negotiating table. So, in the short-term, this is a bad thing for businesses and consumers, but in the long run, it might be what's best for stocks if it unlocks more shareholder value down the road.

The most difficult part about this trade dispute is the vehicle President Trump has used to announce it, Twitter. As shown with the recent Mexican tariffs that never went into effect, all it takes is a thumb or two for the President to announce tariffs and then announce a deal. We could wake up one morning to a tweet from our President saying that we've reached an agreement with China and the market could adjust accordingly. How can you possibly shift your portfolio now if you don't know exactly when that news could break?

Tariffs have slowed the economy in the last few months and not just in the US. The tariffs have caused a global slowdown as the Global Manufacturing Purchasing Managers Index (PMI) shifted into contractionary territory in June (49.4, a reading of 50 would be stagnate). This is the lowest reading for Global Manufacturing PMI since October 2012, according to J.P. Morgan. However, one tweet and the sentiment of the world could shift.

It's our belief that President Trump can only hold to these tactics on trade for so long before he needs to change course. He has made the performance of the stock market a key component of proof that his policies are working. If the stock market is falling heading into next year's election cycle, it could be very difficult for him to win re-election in 2020. This makes us believe that a deal could be announced late this year or early next year. Or, it could come tomorrow? We'll keep our eyes on social media to find out.

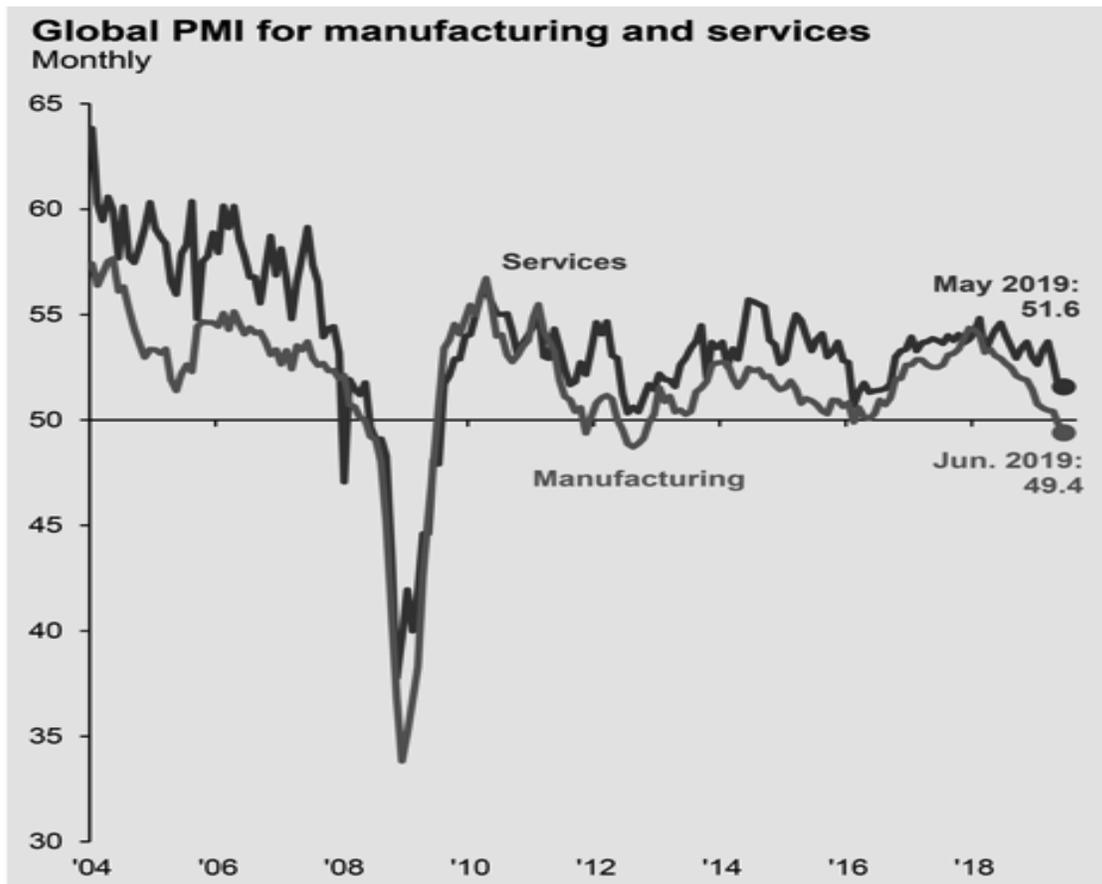


CHART TWO: Sources — J.P. Morgan Asset Management, Markit.

As we look forward, we believe the economy and markets are likely to do well for the foreseeable future. While US stocks have performed best, International and Emerging Markets appear to be cheapest. Higher stock prices have partly been fueled by lower interest rates making investments in bonds and treasuries even less attractive for the long-term except for the most risk (volatility) adverse.

2019 MID-YEAR OUTLOOK PANEL DISCUSSION

If you would like to hear more of our thoughts on the economy and where we might be headed, please join us for our Mid-Year Outlook Panel Discussion on July 23rd and 24th in Monrovia and Redlands, respectively. We will cover a wide range of topics and answer any pressing questions you may have regarding the economy, the markets, or your portfolios.

As always, if you have any questions or concerns please contact us and thank you for your continued confidence in KWB Wealth.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

Investing involves risk including loss of principal.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

International and emerging market investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. Investing involves risk including loss of principal.

No strategy assures success or protects against loss. The economic forecasts set forth in this newsletter may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

MID-YEAR 2019 ECONOMIC DISCUSSION

MEET OUR PANEL



Kerry Bubbs, M.B.A. President, Chief Wealth Manager	Robert Bullock Chief Wealth Manager	Diana Sailer Wealth Manager	Mike Razzouk, M.B.A., AIF® Wealth Manager	Quentin Bubbs, M.B.A. Wealth Manager	Steve Gormley, CIMA® Director of Portfolio Management
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Join Us for Breakfast!

Two Locations Available:

Tuesday, July 23

8:30 am : Breakfast is served ☞ 9 am : Discussion Panel begins

Monrovia Library – Community Room • 321 S. Myrtle Ave. • Monrovia

Wednesday, July 24

8:30 am : Breakfast is served ☞ 9 am : Discussion Panel begins

KWB Redlands Office • 1782 Orange Tree Lane • Redlands

REGISTER TODAY and BRING A GUEST!

RSVP BY Friday, July 19th by calling us at (909) 307-8220
or online at KWBWealth.com

The Wealth Managers of KWB Wealth Managers Group (KWB & Associates, Inc.) are registered representatives with and securities and advisory services offered through LPL Financial, a Registered Investment Advisor. Member FINRA/SIPC.

WE WILL DISCUSS...

- ☛ An Economic Update
- ☛ Tariffs, Taxes, & Trump
- ☛ Investment Models & Strategy



Wealth Managers Group

In Redlands In Monrovia
1782 Orange Tree Lane 617 S Ivy Avenue
Redlands, CA 92374 Monrovia, CA 91016

kwbwealth.com

Email: invest@kwbwealthmanagers.com

   LPL Financial