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The Impact of Oil and Elections

WEEKLY UPDATE - NOVEMBER 12, 2018

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Last week, markets experienced a 4-day winning streak before dropping on Friday, November 9. Despite those losses, domestic indexes posted gains for the week.^[1] The S&P 500 increased 2.13%, the Dow added 2.84%, and the NASDAQ was up 0.68%.^[2] International stocks in the MSCI EAFE had slight growth, ending the week up 0.20%.^[3]

From interest rates to corporate profits, investors had a number of topics to consider.^[4] In this update, we want to focus on two key details that drove markets: oil prices and midterm election results.

1. Oil Prices Declined

Oil prices continued to fall last week, posting the most consecutive daily declines in at least three decades.^[5] In fact, West Texas Intermediate (WTI) futures, a key oil benchmark, is officially in bear market territory. WTI has fallen more than 20% below its highest point over the past year.^[6]

What does this drop mean for markets?

Some investors believe the price declines are another sign that the global economy is slowing down. Historically, people have used oil prices as one way to decipher economic health because they can correlate with global growth. When crude oil prices drop, greater economic challenges are often ahead.^[7]

This recent decline may have a less concerning explanation. The United States sanctioned Iran last week while allowing eight nations to continue buying oil from the country for now.^[8] All of these waivers resulted in 1 million more barrels of Iranian oil being on the market than expected, the opposite of the anticipated tightening supply.^[9]

Bottom line: The oil price decline may be more of a symptom of disrupted supply

and demand, rather than an indication of the global economy's health.[10]

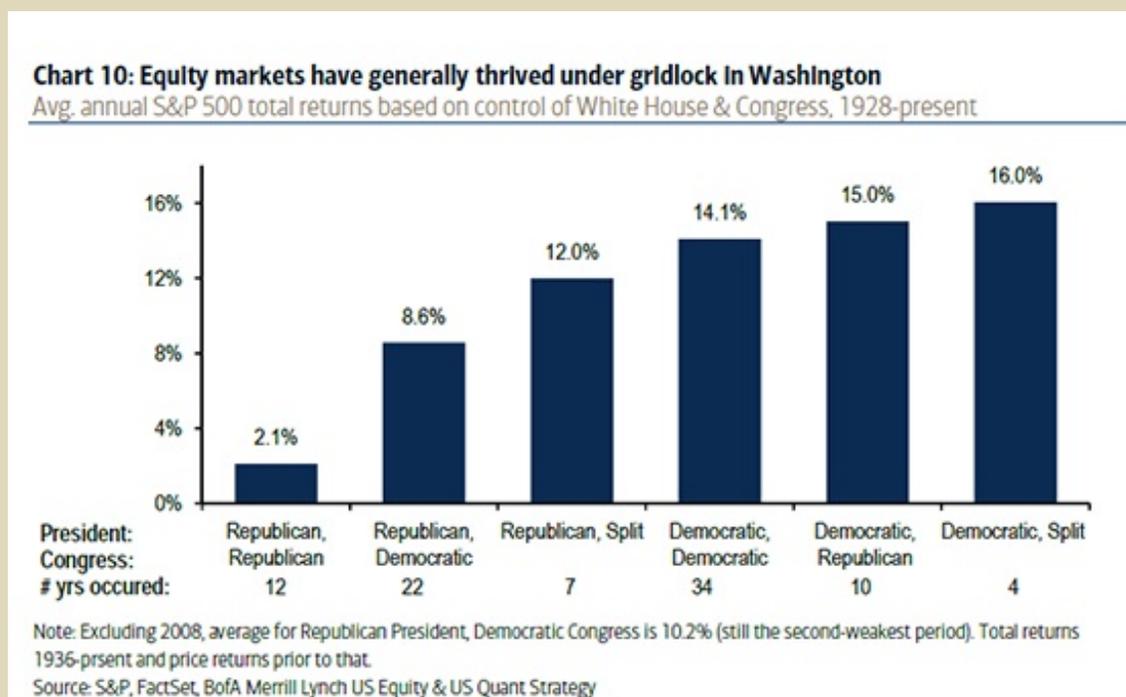
2. Midterm Elections Brought Few Surprises

The long-awaited midterm elections occurred last week, and the results matched expectations for a split Congress.[11] These results contributed to the midweek market rally we experienced.[12]

How could the results affect markets?

Post-midterm market results are generally strong. Over the past 18 midterm elections, stocks have always had positive returns from their lows in October to the year's end. Some investors even believe that October's struggles were a sign of the markets pricing in the election results about a month early.[13]

Taking a historical, long-term view, the current arrangement of a Republican president and a split Congress has resulted in 12% annual returns since 1936. The chart below shows how markets have performed through each potential party-control scenario.[14]



Although stocks have often done well when Washington experiences gridlock, the current scenario also makes a government shutdown or increased investigations into President Trump more likely. With either of these actions, market volatility could follow.[15]

Bottom line: The election results could help bolster market performance. The split Congress also brings potential for political uncertainty that increases volatility for investors.[16]

In many ways, this week's market behavior underscores the complex, interconnected relationships between geopolitics and the markets. If you have any questions or would like to dive deeper into how these situations affect your financial life, we're here to talk.

ECONOMIC CALENDAR

Monday: U.S. Holiday: Veterans Day observed

Wednesday: CPI

Thursday: Retail Sales, Import and Export Prices, Business Inventories, Jobless

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DATA AS OF 11/9/2018	1 WEEK	SINCE 1/1/18	1 YEAR	5 YEAR	10 YEAR
STANDARD & POOR'S 500	2.13%	4.02%	7.60%	9.45%	11.56%
DOW	2.84%	5.14%	10.77%	10.52%	11.26%
NASDAQ	0.68%	7.29%	9.73%	13.58%	16.22%
INTERNATIONAL	0.20%	-10.25%	-8.08%	-0.04%	4.02%

DATA AS OF 11/9/2018	1 MONTH	6 MONTHS	1 YEAR	5 YEAR	10 YEAR
TREASURY YIELDS (CMT)	2.21%	2.52%	2.73%	3.05%	3.19%

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



"It's not how much money you make, but how much money you keep, how hard it works for you, and how many generations you keep it for."

- Robert Kiyosaki

RECIPE OF THE WEEK



Doubly Cheesy Meatball Bake



Serves 6

Ingredients:

- 2 cups packed torn crustless stale white bread
- ½ cup crumbled feta cheese
- ⅓ cup finely chopped fresh mint, plus more for garnish
- 3 cloves garlic, crushed
- 2 pounds ground lamb or beef chuck (80% lean)
- 1 tablespoon extra virgin olive oil
- 1 medium onion, finely chopped
- 1 can (28 ounces) crushed tomatoes
- 1 cup lower-sodium beef or chicken broth
- 2 tablespoons fresh oregano leaves
- 2 bay leaves
- 1½ cups shredded Mozzarella cheese

Directions:

1. Heat oven to 375°F.
2. Soak bread in cold water for 20 minutes in a large bowl.
3. Squeeze out excess water from the bread. Dump out the water.
4. Put feta, mint, garlic, and ½ teaspoon each of salt and pepper in the bowl with the bread. Shake it lightly to combine.
5. Put the lamb or beef in the bowl and mix until it is combined.
6. Make 12 2-inch meatballs.
7. On medium high, heat oil in 12-inch skillet. Put in meatballs and cook for 10 minutes, turning until they're browned on all sides.
8. Put the meatballs on a large plate. Drain off excess oil from the pan, leaving a thin coating. Scrape out any browned bits. Lower the heat to medium.
9. Add onion to the skillet and cook for five minutes, stirring occasionally.
10. Put tomatoes, broth, oregano, bay leaves, and ¼ teaspoon salt into the skillet and stir.
11. Heat on high until it boils. Lower the heat to simmer and continue cooking for 15 minutes. Stir often.
12. Put the meatballs back in the skillet in the tomato sauce. Top with mozzarella cheese.
13. Put the skillet in the oven and bake for 20 minutes. Set oven to broil on high. Broil for three minutes or until the cheese is browned.
14. Garnish the meatballs with mint.

Recipe adapted from Good Housekeeping^[17]

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TAX TIPS

Department of
U.S. Individual



100% Depreciation Deduction Benefit for Business Taxpayers*

If you're a business owner, you can reap the benefits this year of changes in the tax code enacted in December 2017. You can write off most of your depreciable business assets in the year the assets were used.

Here is what you need to know about the new deductions:

- Business assets with 20-year recovery periods or less may be eligible.
- Machinery, equipment, computers, appliances, and furniture may qualify for the deduction.
- Only property that was acquired and put in use after September 27, 2017 qualifies.
- Eligible property must be included on a return filed on time. Certain exceptions may apply.

The IRS provides information on the types of property that qualifies for the deductions. For more information, go to <https://www.gpo.gov/fdsys/pkg/FR-2018-08-08/pdf/2018-16716.pdf>.

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 that you discuss your specific tax issues with a qualified tax advisor.

Tip adapted from IRS.gov^[18]



How to Putt Downhill

Your ball has landed on a fast green and the hole is downhill. Too much punch in your putt and your ball is heading to the other side - of the green.

How do you retrain your more forceful tendencies to do a more tender putt?

The short, downhill putt on a slick green requires a very delicate touch. Practicing distance control is the best approach to mastering those short shots.

Practice on greens by tapping short and long shots both up and downhill.

Get a feel for the different amounts of force you must put into each putt. Try to "feel" how much effort - or lack of effort - each putt requires to get in or near the hole.

Repetition will help reinforce that sense of adequate clubface impact.

Maintain a uniform grip pressure for each putt.

Once you grasp how little - or how softly - you need to make those downhill putts, you'll be able to avoid one of the most embarrassing plays in golf: rolling off the green entirely.

Tip adapted from GolfDigest^[19]



Revving Up Your Metabolism

Diets. Diets. Diets. Why do you have to diet when all you want to do is lose a little weight? Isn't there another way to lose weight?

While you can't buy a magic weight-loss pill, you can make a few lifestyle and dietary changes that may heat up your metabolism.

Here are 8 tips for supercharging your metabolism:

1. Build brawn. Doing weight-lifting or strength training helps accelerate your metabolic rate.
2. Step it up. You may not pack on the muscles, but high-intensity aerobics can send your metabolism soaring.
3. Go guzzling. We're talking water. Drink more. Mild dehydration slows your metabolism.
4. Eat, eat, eat. Not more food, but more often. Snacks, that is. Eating smaller amounts more often tends to crank up your metabolism.
5. Light my fire. With spicy foods. Chopped red or green chili pepper tends to energize your metabolism.
6. Powerful protein. Consuming protein better burns calories than carbohydrates and fats. Go with lean beef, turkey, fish, white meat chicken, nuts, beans, and eggs.
7. Breakfast with Joe. In moderation, coffee gives your metabolism a short-term boost.
8. Don't crash. Crash diets may cause you to lose a few pounds in the beginning, but at the expense of nutrition. Crash diets often also lead to muscle loss, which slows metabolism.

The best approach to a faster metabolism is a steady, balanced approach.

Tips adapted from WebMD^[20]



GREEN LIVING



Looking for Easy Money?

You may be able to find easy money "laying" around your house - in the form of potential energy savings.

Consider the facts:

Americans spend nearly 10,000 times more per gallon for bottled water than for tap water.

Your refrigerator? It consumes about 17% of your home energy bill. Opening your refrigerator door alone costs you about \$30-\$60 a year in electricity. Energy-efficient models can cut that expense.

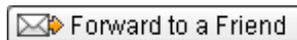
How about your home electronics? Your TV, your stereo, your DVD player, your microwave, and other appliances are using energy even when they're idle to keep clocks lit and remote controls operating.

A quick fix? Turn off power switches or unplug electronic devices when you're not using them for any length of time.

Tip adapted from World Wildlife Fund^[21]

Share the Wealth of Knowledge!

Please share this market update with family, friends, or colleagues. If you would like us to add them to our list, simply click on the "Forward email" link below. We love being introduced!



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.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

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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[3] www.msci.com/end-of-day-data-search

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[19] www.golfdigest.com/story/tom-watson-master-the-dow-ndhill-putt

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