

Helping to create your life vision



## Defining Your Legacy

Is the second half of your life better than the first?

Mark Twain once stated, "*The secret of getting ahead is getting started.*"

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Volatility during the third quarter seemed to subside, as the U.S. markets pushed higher towards all-time highs. The U.S. economy remains strong and is continuing to gain strength. Trade tensions between the U.S. and China have continued to escalate, with new tariffs being implemented from both sides throughout the quarter. Van Leeuwen & Company remains focused on the improving domestic economy, strong earnings and strong consumer spending to fuel potential growth through the end of the year.



## Quarterly Earnings

Listed below are the quarterly total returns for the S&P 500 Index, NASDAQ Composite Index, the Russell 2000 Index, the Barclays U.S. Aggregate Bond Index, the MSCI EAFE Index, and the MSCI Emerging Market Index for period ending September 30, 2018.

Market	1st Qtr. Total Return	2nd Qtr. Total Return	3rd Qtr. Total Return	YTD Total Return
S&P 500 Index	-0.76%	3.43%	7.71%	10.56%
NASDAQ Composite Index	2.59%	6.61%	7.41%	17.48%
Russell 2000 Index	-0.08%	7.75%	3.58%	11.51%
Barclays U.S. Aggregate Bond Index	-1.46%	-0.16%	0.02%	-1.6%
MSCI EAFE Index	-1.53%	-1.24%	1.35%	-1.43%
MSCI Emerging Market Index	1.42%	-7.96%	-1.09%	-7.68%

## Interest Rates

The Federal Reserve (Fed) raised rates again



during the third quarter. This .25% increase was the third rate increase of 2018, and we are anticipating one more increase before the end of the year. The rate increases this year have started pushing up mortgage and car loan interest rates, as well as slowly increasing interest earned on cash deposits at banks.

The bond market has also struggled throughout the year as rates have continued to rise. We see downward pressure on the bond market to continue through the end of the year.

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## Inflation

During the third quarter, the Consumer Price Index (CPI) rose .53%, leaving the year-to-date inflation number at 1.72%. While this inflation number is still low when compared to historical levels, we believe this upward trend will continue.

Earnings – Generally, business in the U.S. has been good for U.S. companies. Second quarter earnings season ended with about 80% of S&P 500 companies beating Wall Street analyst estimates. Tax reform continues to boost corporate earnings, and this is believed to continue through part of next year as well.

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## Employment

U.S. companies continued to add jobs throughout the third quarter. In August, the U.S. added 201,000 non-farm jobs vs. consensus estimates of 191,000 and average hourly earnings grew by 2.9% which was much better than the 2.7% estimates. These jobs reports are an encouraging sign for the strength of the domestic economy.<sup>1</sup>

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## Washington Update

The appointment process for Supreme Court Justice nominee, Hon. Brett Kavanaugh, began during the third quarter. Public hearings held by the Senate Judiciary Committee were concluded with a recommendation to continue the process for the nominee pending an official FBI investigation. After a final vote, Judge Kavanaugh was confirmed by all Republican senators except for Senator Lisa Murkowski of Alaska.

The U.S., Mexico, and Canada finally reached an agreement (United States-Mexico-Canada Agreement) to replace the North American Free Trade Agreement (NAFTA)

after over a year of negotiations. Some of the key highlights in the new deal revolve around automobile manufacturing, labor, intellectual property, and digital trade. This agreement has been negotiated, but still needs to be approved and signed by the respective countries. It is expected that Mexico and Canada will have no issues getting the deal approved, but the U.S. may wait until after the mid-term elections in November.

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<sup>1</sup> Statistics sourced from <https://www.cnbc.com>

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