



Examining Economic Growth

Weekly Update – July 30, 2018

Markets experienced a push-and-pull last week between data indicating strong economic growth and lagging performance from several tech stocks' earnings reports.¹ Domestic indexes had mixed results, as the S&P 500 gained 0.61%, the Dow was up 1.57%, and the NASDAQ dropped 1.06%.² International stocks in the MSCI EAFE had more of an uptick, gaining 1.32% for the week.³

On Friday, July 27, we received the initial reading of 2nd quarter Gross Domestic Product (GDP). The report indicated that the economy grew at a 4.1% annual rate between April and June. This reading was the fastest pace in almost 4 years—and significantly higher than 1st quarter growth.⁴ Markets, however, had a relatively mild reaction to the GDP data due to rumors predicting even higher results.⁵

Let's dig beyond the headline GDP growth number to see what else it tells us about our current economic circumstances.

2nd Quarter GDP Details

- **The tax cut helped drive growth.**

The recent \$1.5 trillion tax cut contributed to the latest GDP performance.⁶ Both consumers and businesses spent more in the 2nd quarter.⁷ Some economists believe this result will not last; without further tax cuts, consumers and companies won't have additional funds at their disposal.⁸

- **Trade tension affected GDP.**

This year's ongoing trade drama impacted the economy during the 2nd quarter, but perhaps not the way you might expect. Many soybean farmers tried to get ahead of coming tariffs by shipping their crops to China earlier than normal. This move helped GDP increase between April and June.⁹

- **Inflation slowed.**

When examining inflation, the Fed uses the personal consumption expenditures (PCE) without food and energy, also known as the core PCE. The 2nd quarter reading was 2%, down from 2.2%. Between healthy economic growth and solid inflation numbers, the Fed is likely still on track for two more rate hikes in 2018.¹⁰

Seeing strong growth this late in an economic expansion is good news. However, now we will have to see whether the growth can continue at this rate. When discussing the GDP readings, President Trump predicted even better results in future quarters. Some economists, on the other hand, believe trade wars and consumer spending could provide headwinds.¹¹

We can't predict the future, but we do know that economic fundamentals continue to be strong.¹² This week, we will receive a number of new readings—from manufacturing to employment to motor vehicle sales—and earnings season will roll on.

If you would like to discuss any of these details and how they may impact you, we're ready to help.

ECONOMIC CALENDAR

Tuesday: Personal Income and Outlays, Consumer Confidence

Wednesday: Motor Vehicle Sales, ADP Employment Report, PMI Manufacturing Index, ISM Mfg Index

Thursday: Factory Orders, Jobless Claims

Friday: Employment Situation, International Trade, PMI Services Index, ISM Non-Mfg Index

DATA AS OF 7/27/2018	1 WEEK	SINCE 1/1/18	1 YEAR	5 YEAR	10 YEAR
STANDARD & POOR'S 500	0.61%	5.43%	13.87%	10.75%	8.40%
DOW	1.57%	2.96%	16.77%	10.34%	8.39%
NASDAQ	-1.06%	12.08%	21.23%	16.45%	12.85%
INTERNATIONAL	1.32%	-1.92%	3.87 %	2.96%	0.57%
DATA AS OF 7/27/2018	1 MONTH	6 MONTHS	1 YEAR	5 YEAR	10 YEAR
TREASURY YIELDS (CMT)	1.90%	2.20%	2.43%	2.84%	2.96%

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



*“Let no feeling of discouragement prey upon you,
and in the end you are sure to succeed.”*

— Abraham Lincoln

RECIPE OF THE WEEK



Corn Wheels with Hot Honey Butter



Serves 6

Ingredients:

Kosher salt
6 ears of corn, shucked
½ cup unsalted butter, softened
2 teaspoon honey
1 tablespoon habañero hot sauce
Flaky sea salt, for serving

Directions:

1. Boil salted water in a large pot. Cut the corncobs into 3-4 pieces each. Put the corn in the pot and let simmer until tender, 3-4 minutes.
2. At the same time, mix butter, honey, hot sauce, and ½ teaspoon kosher salt in a medium bowl. Place half of the mix in a large bowl and the other half in a serving dish.
3. Put the corn, after it is drained, in the large bowl with the butter mix. Shake slightly to coat the corn.
4. Put the corn on a platter and dash with flaky salt. Lightly add hot sauce. Serve the corn with the rest of the butter mixture.

Recipe adapted from Good Housekeeping¹³



Scammers Don't Take Summer Vacations

While many of us may be enjoying the summer with vacations and outdoor activities, cyber thieves are busy trying to steal our identities and personal data.

Although it's been more than three months since the end of the 2017 tax filing season, scammers are coming up with new ploys, such as phishing emails and telephone scams.

The IRS offers several ways to help spot red flags to safeguard your personal information:

- The agency does not send pre-recorded messages requesting urgent callbacks. One scam involves warnings that authorities will issue arrest warrants if people don't respond to calls. Variations include threats of deportation. The IRS doesn't threaten people with arrest for not paying taxes.
- Scammers create fake caller IDs to appear as if the call is originating from anywhere in the country, including from an IRS office. You may call the IRS for information by going to <https://www.irs.gov/help/telephone-assistance>.
- Taxpayers may report unsolicited email to phishing@irs.gov. Some people may receive emails from programs linked to the IRS, such as from the Electronic Federal Tax Payment System. Those emails should also be reported to phishing@irs.gov.
- The IRS doesn't contact taxpayers by email to get personal or financial information. The agency uses the U.S. Postal Service to make initial contacts.

The IRS will call or visit taxpayers at their homes or businesses only on special occasions, which may include overdue tax bills or obtaining delinquent tax payments.

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.gov¹⁴



Hit a Draw in 5 Minutes

Many golfers, coaches say, can't help hitting those irritating slices, those sometimes wayward, left-to-right shots (for right-handed players). Most players would prefer to hit draws (right to left), the shots over which they have more control. Slices are unpredictable.

With a few simple adjustments to your swing, golf coaches say you can easily change slices into draws.

The hands: First, take a stronger grip on your club. Second, place the club handle in the base of your fingers and not angled in your palm. Gripping the handle in the fingers enables you to retain more control of your swing.

The path: To develop draws and to avoid slices, focus on your backswing. Players who hit slices often have clubfaces facing down at the height of the backswing. To hit a draw, make sure your clubface is pointing skyward and your arms are behind you. Slicers generally hold the club in the backswing in front of their bodies.

The finish: End your swing on the toes of your trail foot. Finish the swing with your chest facing the target.

Tip adapted from GolfDigest¹⁵



Listen to These Tips on Ear Infections

Ear infections are caused when fluids from colds, throat infections, or allergy attacks get trapped in the middle ear.

Symptoms include:

- Trouble hearing
- Fever
- Fluid oozing from ears
- Dizziness
- Stuffy nose

Five of six children will contract ear infections before their third birthday.

Doctors diagnose ear infections with an otoscope, a small flashlight with a magnifying lens. Healthy eardrums look clear and pinkish-gray. Infected eardrums appear red and swollen.

You can ease ear infection pain by applying warm washcloths to the outside of the ear. Non-prescription painkillers may help alleviate the discomfort. (Don't give aspirin to children.) Medical authorities may recommend using eardrops.

Doctors may initially refrain from prescribing antibiotics and urge sufferers to use home remedies and to rest. Overprescribed antibiotics tend to lose their effectiveness. Antibiotics also only treat bacteria, not viruses, which sometimes cause ear infections.

If ear infections don't subside after a while, doctors may recommend antibiotics.

Tips adapted from WebMD¹⁶



Close the Door Campaign to Keep It Cool

The national campaign *Keep It Cool* urges consumers to help persuade retailers to close their physical doors during hot summer days to help preserve energy.

Campaign organizers ask participants to use Facebook Messenger to drop pins on businesses that keep doors open or closed to help consumers make better environmental choices.

“Our *Keep it Cool* campaign empowers consumers to anonymously have an impact on wasteful behaviors in their own neighborhoods,” said Nate McFarland, Generation 180’s communications director. (Visit the nonprofit organization at <https://www.generation180.org/>.)

“It gives retailers the opportunity to do the right thing and showcase their green values. This is good for business, the community, and the environment.”

Organizations like Generation 180 say businesses that leave doors open to attract customers raise product costs, waste energy, and increase pollution.

Tip adapted from EarthShare¹⁷

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!

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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.

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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¹ <https://www.reuters.com/article/us-usa-stocks/tech-stocks-weigh-on-wall-street-idUSKBN1KH1BH>

² <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=DJI®ion=usa&culture=en-US>

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

³ <https://www.msci.com/end-of-day-data-search>

⁴ <https://www.cnbc.com/2018/07/27/us-gdp-q2-2018.html>

⁵ <https://www.cnbc.com/2018/07/27/us-stocks-economy-earnings.html>

⁶ <https://www.reuters.com/article/us-usa-economy/trump-hails-growth-as-one-offs-and-consumers-boost-economy-idUSKBN1KH0B7>

⁷ <https://www.cnbc.com/2018/07/27/us-gdp-q2-2018.html>

⁸ <https://www.reuters.com/article/us-usa-economy/trump-hails-growth-as-one-offs-and-consumers-boost-economy-idUSKBN1KH0B7>

⁹ <https://www.reuters.com/article/us-usa-economy/trump-hails-growth-as-one-offs-and-consumers-boost-economy-idUSKBN1KH0B7>

¹⁰ <https://www.reuters.com/article/us-usa-economy/trump-hails-growth-as-one-offs-and-consumers-boost-economy-idUSKBN1KH0B7>

¹¹ <https://www.cnbc.com/2018/07/27/us-gdp-q2-2018.html>

¹² <https://www.cnbc.com/2018/07/27/us-stocks-economy-earnings.html>

¹³ <https://www.goodhousekeeping.com/food-recipes/easy/a21946328/corn-wheels-with-hot-honey-butter-recipe/>

¹⁴ <https://www.irs.gov/newsroom/taxpayers-should-stay-alert-because-scammers-dont-take-a-summer-vacation>

¹⁵ <https://www.golfdigest.com/story/quit-steering-your-driver-to-get-more-speed>

¹⁶ <https://www.webmd.com/cold-and-flu/ear-infection/default.htm>

¹⁷ <http://www.earthshare.org/2017/08/keepcool.htm>

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