DFM
Diversified Financial Management

80 Washington Street • Building E-13 • Norwell, MA 02061
781.792.0440 • Fax 781.792.0606
dfm@dfmwealth.com

INVESTMENT SUMMARY

3rd Quarter 2018

After an uneven first half of the year in the equity and fixed income markets, U.S. stocks found their stride in the third quarter, prolonging what has been a historic bull run. The market was encouraged by second quarter GDP growth of 4.2% and found additional support from corporate earnings reports that beat expectations. There was some concern going into the quarter that higher interest rates orchestrated by the Fed would leave the market vulnerable. That apprehension regarding tighter monetary policy is here to stay, as Fed President Jerome Powell is on track with the next rate increase in December, and a couple of planned moves higher in 2019.

Today, business fundamentals appear healthy and stock investors are anticipating another strong round of corporate earnings reports in October with 21% profit growth expected. On the labor front, the job market is the strongest in 50 years, with the unemployment rate registering well below 4% on the heels of eight straight years of job gains. Success in the U.S. economy has been widespread, with both manufacturing and service industries enjoying growth and anticipating continued strength into next year.

Looking ahead, mid-term elections will be filled with unknowns as control of Congress is in play. If Republicans have a bad showing, it will result in an obvious shift in power as well as probable changes in policy. Regardless of the outcome, we see U.S. economic growth pushing ahead at an admirable rate of 3% for the second half of 2018. On the trade front, ongoing disputes continue to be a cause for concern. While the U.S-Mexico-Canada agreement was a step in the right direction, the China negotiations have led to numerous enacted tariffs, with threats of additional actions on the part of both parties potentially hurting global commerce.