



## NEWS OF THE MONTH

<u>Index</u>	<u>Month / Year to Date</u>
Dow Jones	0.58% / 18.07%
S&P 500	2.16% / 23.02%
NASDAQ	3.71% / 25.99%
Barclays	0.30% / 8.84%

**10-Yr Treasury yield was 1.63% at the end of September and 1.69% at the end of October**

### Markets

The Dow Jones Industrial Average opened October with a 900-point drop over two days, then ended the month with a fairly steady rise that saw the Dow hit another record high in early November.\* Ultimately, the market remains just slightly higher than it was in January 2018 when fears about slowing growth and the impacts of the China trade war began weighing on investors.

The market's recent jump was prompted by growing optimism that a deal to settle the trade war is moving forward.\* Investors also cheered the fact that the Federal Reserve approved another short-term interest rate cut. It was the third rate decrease this year, and it brings the Fed funds rate down to a range of 1.5 to 1.75%. At the same time, long-term rates inched up slightly in October, and as a result the U.S. yield curve is no longer inverted. This would all seem to be good news, but the broader picture for the markets remains troubling.

Many experts agree that a synchronized slowdown for the world economy is already underway, and some are concerned that Central Banks—with their liberal use of quantitative easing since the Financial Crisis—may have seriously weakened their ability to deal with a new global recession.\*\* With many economies in negative interest rate territory, the trade war still a factor, and political conflicts rampant in many countries (including ours), uncertainty in the financial markets remains high.

In the midst of this uncertainty, I am now more certain than ever of at least one thing: America has become the new Japan, and has entered a long-term period of overall low interest rates. That's significant for income-based investors, as I've explained in previous newsletters. On the one hand, it means we no longer have to worry about a headwind in the bond market since, generally speaking, when interest rates fall, bond values rise and vice-versa. On the other hand, a low interest rate environment also makes it more challenging for bond investors to get good yields. As I've also discussed in previous newsletters, I launched Sound Income Strategies in anticipation of this very challenge, and we are always in the process of expanding our resources and offerings to ensure our clients can continue to protect their money and maximize their retirement income *regardless* of market conditions!

## Portfolio Transactions:

When managing your portfolio at SIS, we look for one of four possible “enhancement” trades while reviewing securities and possible transactions. Income generation is our primary goal for our clients, and we consider the following four portfolio enhancements before transacting: current yield, yield to worst (minimum projected annualized total return), interest rate risk, and default risk. The intents of these transactions are categorized as follows:

- ✓ **Pay Me Now** – Enhancing current yield
- ✓ **Pay Me Later** – Enhancing yield to worst
- ✓ **Cover My Assets I.** – Managing interest rate risk
- ✓ **Cover My Assets II.** – Managing default risk

We evaluate the transactions by determining whether they meet one, two, three, or all four enhancements. A baseball analogy for this: SINGLES, DOUBLES, TRIPLES, and HOME RUNS.

There were NO SWAPS for the month of October.

*\*“Dow Soars to Record High on Trade Optimism,” Business Insider, Nov. 4, 2019*

*\*\*“The World Economy Synchronized Slowdown, Precarious Outlook, International Monetary Fund, imf.org, Oct. 15, 2019*

*Note: The above trades were recent block trades and do not reflect all trades done on an individual specific basis. Sound Income Strategies, LLC is a registered investment advisor. Information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and, unless otherwise stated, are not guaranteed. Past performance is not an indication of future results. Be sure to first consult with a qualified financial advisor or tax professional about your specific financial situation before implementing any strategy discussed herein.*

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