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**MARKET COMMENTARY**

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Dow Jones Industrial Avg.	25,928.68	Standard and Poor's 500	2,834.40
2019(YTD) +11.2% 1 <sup>st</sup> Qtr.	+11.2%	2019(YTD) +13.1% 1 <sup>st</sup> Qtr.	+13.1%

**The Beat Goes On** – “Jobless Rate Hits a 50 Year Low” was the headline in the Wall Street Journal on its weekend edition (May 4-5, 2019)

**Economy Cruising** – How well has the economy been performing? The National Bureau of Economic Research has reported the country is now in its 119<sup>th</sup> month of economic expansion. This is more than double the average of past expansions. This positive news was reinforced by the announcement of growth in the first quarter of 3.2%, which was much better than the 1-2% level that was predicted. Not surprisingly, this has resulted in economists revising their growth predictions for the full year to the range of 2½-3%. Another eye-catching statistic is that unemployment has fallen to a level last witnessed 49 years ago. Such a low level of unemployment means businesses must offer higher wages to attract the workers they require. Higher income levels mean consumers are more confident and more willing to spend. These positive trends make it highly probable the economy will continue to expand over the next twelve months and possibly through the election.

**How Achieved?** – Part of the answer is the dynamism of our economic system, capitalism rewards ingenuity and industriousness and incentivizes risk-taking. As has been stated before by others, it is not a perfect system but it is better than all other competing economic systems. As the country braces itself for another Presidential campaign next year, the Democrat party has already gone to great pains to emphasize the inequities resulting from the system, even though the benefits of the recovery are flowing to an increasing percentage of the working population. Most can agree the wealth gap should be addressed. However given the current acrimony in Washington, it is not a likely subject for compromise.

**Back to the Future** – A quick digression may help to illustrate why this country is different and why it has been so successful. Back in 1962, the television audience was treated to a new show. It was a 30 minute futuristic cartoon, “Meet the Jetsons”. Its goal was to present a picture of how family life would be in the future. The family possessed a number of futuristic possessions. These included a flying car, a robotic maid, and a video phone. Jane, the wife, was able to prepare a meal by simply pressing a few buttons. Now, many years later, some of these concepts have become commonplace. Everyone has a cell phone; many households have a Roomba to handle some household chores; and although flying cars are not quite ready for prime time, self-driving, all-electric vehicles are being developed.

Most people can easily recount a few names of individuals who have built today’s business behemoths who exemplify the striving for success which makes the United States economy the envy of the world. Some of those included in this exclusive club are Jeff Bezos of Amazon, Mark Zuckerberg of Facebook, Tim Cook, who succeeded Steve Jobs at Apple, Larry Page and Sergey Brin of Google, now Alphabet, and Bill Gates of Microsoft. No other country has seen such a steady stream of successful individuals, who have created and led such world dominating businesses. Their accomplishments are largely attributable to the unparalleled business environment marked by a vibrant capital market, a highly qualified and productive workforce and perhaps most importantly by a liberal incentive system.

However, the individual who brought to mind the topic of “The Jetsons” was Elon Musk. The reason he stands out is the diversity of his endeavors. One might characterize him as a modern version of the Renaissance man – the Leonardo DeVinci of the 21<sup>st</sup> century. A bit of hyperbole, you say? Consider these facts. Although born in South Africa, he came to this country and attended the University of Pennsylvania. In the early 1990s, he graduated from that school with degrees in physics and economics. In 1999 Musk formed a small financial services company that later became PayPal. Driven by his interest in rocketry, he founded Space Exploration Technologies, now known as SpaceX. That company is now a prime contractor for NASA carrying supplies to the International Space Station. The company expects to soon be approved to carry astronauts there as well. His next mission was to develop and popularize the electric car. To achieve that, he was a major early funding source for Tesla, which introduced its first car in 2006. He is now the driving force behind the company. It would be remiss not to mention Musk is a forceful, abrasive, driven man whose success has been determined as much by those characteristics as by his obvious intelligence. Many leaders of companies comprising the Standard and Poor’s 500, this country’s largest companies, are now being led by citizens from elsewhere drawn here by the opportunities to achieve success.

The point of highlighting these corporate leaders is to illustrate how this county’s capitalistic system has encouraged the development of these great companies by these individuals, which provide millions of jobs within our economy. Moreover this is not a recent phenomenon, more than a century ago Rockefeller, Ford, Carnegie, Edison, and J.P. Morgan topped a similar list. All of these leaders have provided growth opportunities for their employees, investors, and communities. Their example has encouraged the entrepreneurial spirit in many others. None of our major competitor nations have had the ability to provide the level of innovation and growth this country has achieved over such an extended period of time. So be ready for the coming political debate by candidates of both parties over which economic system, capitalism or socialism, will best serve the interest of the future this country. Given the rapid pace of innovation since 1962, the Jetsons would question why any change was even being considered.

**Markets Too Expensive** – Although the economy remains healthy, stocks are once again too rich. The rally since the beginning of the year has been due in large part to the significant tumble in stock prices during the fourth quarter of last year as well as the sudden reversal of direction in interest rates by the Federal Reserve during the quarter. Its action has also reduced the appeal of fixed income investments at this time. Until the dust settles, cash is king. Recent price volatility should serve as a reminder to most investors, but particularly to retirees, that maintaining a healthy cash reserve is a prudent course of action. When markets are running “hot”, the temptation is to go all in. Conversely, when the bears hold sway, nervous investors may feel forced to sell. Both impulses tend to be ill-timed. Retirees should consider maintaining a reserve equivalent to at least a year’s worth of anticipated withdrawals, so they are not forced to sell during a market drop. It is worth considering an even larger reserve so funds are available for opportunistic purchases, especially during market weakness. It is worth noting, it possible to earn roughly two percent on these “idle” funds.

**News of Note** - Once a year all financial organizations are required by law to provide all of their clients a copy of the firm’s privacy policy and practices. Ours is included with this letter. Online security is a widespread concern. You can send sensitive or confidential files to us by utilizing our “secure file upload” tab on our website – lenkladner.com. Your data will be encrypted and transferred to our secure email host. Please call us if you have any questions about the process. Along with the better weather, the Cape is beginning to see heavier traffic as the snowbirds and tourists return. Take a deep breath and smile. JML