

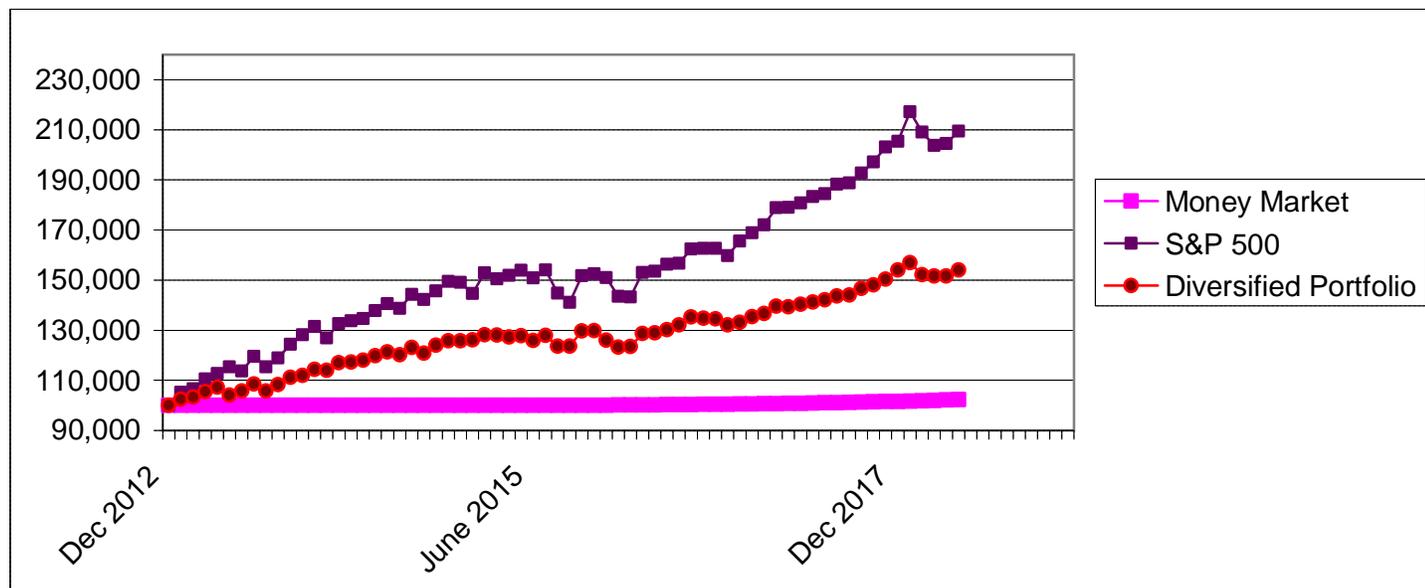
SFS Investment Update

A Publication of
 Southward Financial Services, LLC
 E-Mail: SFSPan@insight.rr.com

June 2018

The Markets Relax?

With all kinds of gyrations in the first four months of 2018, May seemed to settle back into something resembling normal. It felt like every briefly let out a sight of relief.



	May	Year-to-Date	Annualized Since 1/1/2013
Diversified Portfolio	1.61	-	8.30
Index Components			
U.S. Stocks	2.79	2.54	15.57
International Stocks	(1.91)	(1.57)	6.51
Bonds	0.61	(1.70)	1.52
Real Estate	3.60	(4.00)	8.02
Money Market	0.16	0.68	0.47
S&P 500	2.39	1.95	14.62
Money Market	0.16	0.68	0.47

The diversified portfolio showed its best return since January, gaining 1.61 percent. Real estate had an exceptional 3.60 percent gain, followed by a 2.79 percent return in domestic stocks. Small cap stocks had another solid month and outgained large caps. Bonds rallied as interest rates stabilized and even saw a small return from the psychological 3 percent level for the ten-year Treasury. Only international stocks showed a decline, down 1.91 percent on problems in Italy.

The month moved the entire portfolio back to flat for the calendar year. Here, one sees the trends that have dominated 2018. Interest rate sensitive investments show losses. Domestic stocks are up, but only due to the gains in May. International stocks are down on political issues.

It is this type of month that is hard to write about in a newsletter. On the surface, one could argue that we maybe finally turned a corner and the good times of 2017 are just about to return. Interest rates are not going to go through the roof and take the markets down. Trade tensions do not really matter to domestic firms and investors. Jus hang around long enough and everything will be all right.

And, this may prove true. The counter argument is that trade tensions continue to simmer and are likely to come into sharp focus these next several days at the G-7 summit in Canada. We have certainly angered our allies, in particular Canada which is a large trading partner. (Quick aside: Senator Portman was interviewed on CNBC and noted that Ohio's biggest trade partner is Canada; China is third.) Will our allies retaliate? Will it hurt as much as critics of tariffs say? We do not know – yet.

President Trump meets Kim Jung Un on June 12. We all hope for a successful meeting and the chance to see a lasting peace for the Koreas. It may go spectacularly well; it may be a diplomatic disaster; it may be a dud.

The Fed will likely raise rates again at its June meeting. While the markets have pretty well figured the increase, individuals may be surprised again when their home equity line monthly payment increases. As rates continue what seems like a relentless climb upwards, when does the cost really start to hurt the economy, which appears to be doing very well.

Thus, while I am pleased to see the nice returns in May, I do not read too much into them. Trade, politics and interest rates have been the story for this year and are still out there as the dominating themes. It is just hard for me to say yet that what happened last month is the start of another strong rally.

As always, we welcome your thoughts and comments.

Roger E. Southward, CFP®

Disclaimer: The information in this newsletter is for general educational purposes only and is not a recommendation to buy or sell any investment. Funds mentioned are for illustrative purposes only and are not recommendations to buy or sell those funds. The diversified index as shown is to illustrate the possible growth pattern of a mix of investments and cannot be purchased as a single investment. This newsletter is distributed to and intended for clients and friends of Southward Financial Services, LLC and not for public distribution. Past performance is not a guarantee of future investment results.