The Q1 Earnings Season Begins

Weekly Update – April 15, 2019

The Week on Wall Street

Stocks broke out of a narrow range on Friday following news that two major banks grew their bottom line in the first quarter. For the week, the S&P 500 rose 0.79%; the Nasdaq Composite, 0.91%. The Dow Jones Industrial Average improved 0.50%. Turning to overseas stocks, the MSCI EAFE index declined 0.09%.[i,ii,iii,iv]

The market spent much of the week in a lull as investors waited for earnings season to begin. Wall Street is paying close attention to both guidance and profit margins.

Big Banks Post Solid Results

Friday, Wells Fargo and JPMorgan Chase both reported Q1 profit growth, and JPMorgan Chase announced record revenue.[v]

This was welcome news. Analysts have tempered some of their expectations entering this earnings season, recognizing that slowing global growth, tariffs, and dollar strength may be affecting corporate profits. The dollar rallied 6.2% in Q1.[vi]

Inflation Picks Up

The Consumer Price Index rose 0.4% in March, the most in 14 months. This matched the consensus forecast of economists polled by MarketWatch, who believed rising gas prices would affect the number.

Even with this March jump, annual inflation remained relatively tame at 1.9%.[vii]

What's Ahead

Note that U.S. stock and bond markets will be closed on Good Friday (April 19).

THE WEEK AHEAD: KEY ECONOMIC DATA

Thursday: March retail sales.

Friday: March housing starts and building permits.

Source: Econoday / MarketWatch Calendar, April 12, 2019

The content is developed from sources believed to be providing accurate information. The forecasts or forward-looking statements are based on assumptions and may not materialize. The forecasts also are subject to revision. The release of data may be delayed without notice for a variety of reasons, including the shutdown of the government agency or change at the private institution that handles the material.

THE WEEK AHEAD: COMPANIES REPORTING EARNINGS

Monday: Citigroup (C), Goldman Sachs (GS)
Tuesday: Bank of America (BAC), BlackRock (BLK), Comerica (CMA), IBM (IBM), Johnson & Johnson (JNJ), Netflix (NFLX), UnitedHealth Group (UNH)
Wednesday: Abbott Labs (ABT), Alcoa (AA), Bank of New York Mellon (BNY), Morgan Stanley (MS), PepsiCo (PEP), U.S. Bancorp (USB), United Rentals (URI)
Thursday: American Express (AMEX), Honeywell (HON), Manpower (MAN), Philip Morris (PM), Schlumberger (SLB), Travelers Companies (TRV), Union Pacific (UNP)

Source: Morningstar.com, April 12, 2019
Companies mentioned are for informational purposes only. It should not be considered a solicitation for the purchase or sale of the securities. Any investment should be consistent with your objectives, time frame and risk tolerance. The return and principal value of investments will fluctuate as market conditions change. When sold, investments may be worth more or less than their original cost. Companies may reschedule when they report earnings without notice.

Market Index	Close	Week	Y-T-D
DJIA	26,412.30	+0.50%	+13.22%
NASDAQ	7,984.16	+0.91%	+20.33%
MSCI-EAFE	1,909.60	-0.09%	+11.03%
S&P 500	2,907.41	+0.79%	+15.98%

	Treasury	Close	Week	Y-T-D
	10-Year Note	2.56%	+0.06%	-0.13%

Sources: The Wall Street Journal, April 12, 2019, Treasury.gov, April 12, 2019

The market indexes discussed are unmanaged and generally considered representative of their respective markets. Individuals cannot directly invest in unmanaged indexes. Past performance does not guarantee future results. Weekly performance is measured from Monday's open of trading to Friday's close for the Dow Jones Industrial Average, Standard & Poor's 500 index, and NASDAQ Composite. Weekly performance is measured from Friday's open to Thursday's close for MSCI-EAFE. U.S. Treasury Notes are guaranteed by the federal government as to the timely payment of principal and interest. However, if you sell a Treasury Note prior to maturity, it may be worth more or less than the original price paid. Weekly and year-to-date 10-year Treasury note yield are expressed in basis points. International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.

California RETIREMENT Advisors

Personal Wealth Management For Retirement

TAX TIPS

Making a Tax Payment

It's that time again. If you need to pay this year, the I.R.S. makes it easy for you to make payments. In some cases, you may be able to make installments if you're not able to pay the full amount on time. Here are some ways to pay that bill:

Direct Pay: You can pay your tax bill online from a bank account with I.R.S. Direct Pay. You'll have the ability to schedule payments up to 30 days in advance, and there is an option for you to change or cancel your payment.

Credit or Debit Cards: Using your debit or credit card, you can pay your tax bill online, by phone, or with your smartphone. There may be fees that apply.

Installment Agreement: The I.R.S. may arrange monthly payments if you can't pay your tax bill in full. In order to use this service, you'll need to have filed all required tax returns. Visit https://www.irs.gov/payments/online-payment-agreement-application to learn more.

IRS App: If you're on the go, then the IRS2Go app may be for you. You can make payments and more. Download the I.R.S. app from your favorite app store.

* 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 professional.

Tip adapted from IRS.gov[viii]

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!

First Allied Securities Inc. and First Allied Advisory Services, Inc. CA Insurance license #0B09076..

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.

These are the views of Platinum Advisor Marketing Strategies, LLC, and not necessarily those of Christian Cordoba of **California Retirement Advisors** or **First Allied Securities, Inc.**, a registered broker/dealer **Member FINRA & SIPC**, and should not be construed as investment advice. Neither Christian Cordoba of California Retirement Advisors nor First Allied Securities, Inc. gives tax or legal advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. Please consult your financial advisor for further information.

By clicking on these links, you will leave our server, as the links are located on another server. We have not independently verified the information available through this link. The link is provided to you as a matter of interest. Please click on the links below to leave and proceed to the selected site.

---

[i] https://quotes.wsj.com/index/SPX

[ii] https://quotes.wsj.com/index/DJIA

[iii] https://quotes.wsj.com/index/COMP

[iv] https://quotes.wsj.com/index/XX/990300/historical-prices

[v] https://www.cnn.com/2019/04/12/investing/wells-fargo-bank-earnings/index.html

[vi] https://finance.yahoo.com/news/5-best-stocks-buy-ahead-122412306.html

[vii] https://www.marketwatch.com/story/higher-gas-prices-boost-cost-of-living-in-march-but-inflation-still-soft-cpi-shows-2019-04-10

[viii] https://www.irs.gov/newsroom/easy-ways-to-pay-taxes

Weekly Dent Digest 4/12/2019

Minutes of Last Federal Reserve Meeting Show No Significant Changes Ahead… The detailed minutes revealed that most participants felt rates are consistent with the economy at the moment. Some thought rates might drift higher near the end of the year, but only if the economy picks up.

What it means – Goldilocks, at least for Fed policy. Thing's aren't too hot or too cold. But it's hard to call them "just right." Interest rates are appropriate at incredibly low levels because economic growth is hard to find. First-quarter growth might clock in at 2%, following 2.2% for the fourth quarter, but that's a far cry from the 4% pace we were peddled to support tax reform.

There is another possible narrative. It's not that things are at equilibrium; it's that the central bankers aren't sure what's next. With the trade wars, Brexit, and slowing economic growth around the world they would be right to worry about sudden economic shifts. But for now, don't expect any sudden moves by the Fed, which suits the markets just fine.

Weak Factory Orders Confirm Weak Durable Goods Orders… Factory orders dipped 0.5% in February, following a flat January and a modest 0.1% gain in December.

What it means – Core capital goods (non-defense excluding aircraft) eased 0.1% in February, but that came on the heels of a 0.9% gain in January. Overall, contracting orders reflected the weakness in durable goods orders reported last week.

I’m interested to see how Boeing’s troubles flow through these numbers in the months ahead. This report is for February, so it doesn’t include any ramifications from the plane tragedies.

Consumer Prices Up 0.4% in March… Excluding food and energy, prices rose 0.1%.

What it means – The annual rate of inflation rose from 1.5% in February to 1.9% last month, but dipped 0.1% for core inflation down to 2.0%. The difference is the price of oil and gas, which have been on a tear this year. Housing and medical care, which comprise almost half of the inflation index, increased 0.3% in March, and were up 2.9% and 1.7% respectively for the year.

It’s worth noting that core inflation has remained remarkably steady near 2% even as the economy ran higher last year and now eased a bit. If prices keep marching higher as the economy loses steam, we could be looking at a bit of stagflation, which is never good.

Organization for Economic Cooperation and Development (OECD) Reports the Global Middle Class is Shrinking… Over the past 30 years, the number of households in the middle class in developed nations has contracted from 64% to 61%.

What it means – The OECD defines the middle class as those earning between 75% and 200% of the median income for the nation.

In its report, “Under Pressure: The Squeezed Middle Class,” the organization notes that incomes are rising slower than costs, pushing people out of the group. In particular, health care and education are eating up more of their income. The OECD pointed out that more than 20% of the middle class live beyond their means, using debt to finance their lifestyle.

The EU Throws Britain a Brexit Lifeline… The European Union agreed to give Britain an extension to October 31 to find a way to extricate itself from the economic bloc.

What it means – The deadlines are falling like flies. First Britain was to leave the EU by March 29, then by April 12 or May 22 depending on certain votes, and now the deadline is lightyears away, October 31. Given that the British Parliament has shot down every Brexit proposal presented, it's hard to see what will change in the next six months. A hard Brexit could still happen, even though that's the only thing Parliament agrees on… they don't want it.

The extended deadline means investors will have to deal with uncertainty for several more months, and that businesses affected by the decision will have to decide if they want to wait it out or move out of the U.K. now so that they have clarity over their futures.

Lyft Stock Falls, Clouding Future of Uber IPO… Lyft went public on March 29 at $72, and reached a high of $88.60 that day before dropping to the upper $70s. On the following Monday April 1, the stock closed at $69. This week, the stock dipped below $60, a full 32% below its high mark.

What it means – Lyft is the also-ran, controlling less than 30% of the ride hailing market. Uber is the 800 lb. gorilla, and until Lyft went public, Uber was expected to be valued near $120 billion.

Now that number is closer to $100 billion. But even though Lyft exists in Uber's shadow, they do share one big trait… they both lose money, and lots of it. While they generate billions of dollars in revenue, they also have combined losses over $1 billion, and no path to profitability. While the apps are popular, to make money they must raise prices or pay drivers less, neither of which will sit well.

Now that the genie of paid ride-sharing is out of the bottle, it’s probably not going away, but it’s hard to see how these companies command market shares anywhere near current valuations if they can’t show investors how they will get their money back.

Knock.com Estimates 75% of Home Sales in Major U.S. Markets in the Second Quarter Will Be At Discounts… For homeowners wanting to move, the company offers to buy their next house for cash, then help them move and sell the first home.

Part of the process requires extensive knowledge of the current market. Knock.com reports that 72% of homes in major markets sold at a discount in the first quarter, 7% higher than the same quarter last year. They expect that number to climb to 75%, with Miami leading the way at 89%. In those markets, the discounts are expected to be between 1% and 7%.

Next Week – The third week of April is light on economic releases; the only reports of note are retail sales and housing starts. But that doesn’t mean it will be quiet. It will be the first full week of earnings season, which should add some excitement to the markets. Earnings are expected to fall between 2% and 3% from the same quarter last year.

Rodney

All third party materials are the responsibility of their respective authors, creators, and/or owners. First Allied is not responsible for third party materials, and the information reflects the opinion of its authors, creators, and/or owners at the time of its issuance, which opinions and information are subject to change at any time without notice and without obligation of notification.

These materials were obtained from sources believed to be reliable and presented in good faith, nevertheless, First Allied has not independently verified the information contained therein, and does not guarantee its accuracy or completeness.

The information has no regard to the specific investment objectives, financial situation, or particular needs of any specific recipient, and is intended for informational purposes only and does not constitute a recommendation, or an offer, to buy or sell any securities or related financial instruments, nor is it intended to provide tax, legal or investment advice. We recommend that you procure financial and/or tax advice as to the implications (including tax) of investing in any of the companies mentioned.

Securities offered through **First Allied Securities, Inc.**, a registered broker/dealer, **member FINRA/SIPC**. Advisory services offered through **California Retirement Advisors** and **First Allied Advisory Services, Inc.**, both registered investment advisers. California Retirement Advisors is a separate entity from First Allied Securities, Inc. and/or First Allied Advisory Services, Inc. CA Insurance License #0B09076.