INVESTMENT
UPDATE

ROMANO
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WEALTH MANAGEMENT
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Member FINRA/SIPC

July 2019

TRADING ON TWEETS

"Trade wars are good and easy to win."	March 2, 2018
"We will continue to negotiate with China in hopes they do not again try to redo deal."	May 10, 2019
The United States is "not ready" to make a trade deal with China.	May 27, 2019
"China is going to make a deal because they are going to have to..."	June 10, 2019
Chinese Foreign Ministry: "We will resolutely respond and fight to the end."	June 11, 2019

The on again, off again trade war with China has gripped the markets as the presidential quotes and tweets above, and the response from our Chinese counterparts suggest. The manic negotiations have led to a return of volatility and anxiety that previously was at multi-decade lows during 2016 and 2017. Consider this: The S&P 500 has crossed the 2800 mark 19 times since it first reached that level in January 2018.

Though the Dow remains within 1,000 points of its start nearly 18 months ago, it hasn't been without turmoil. It's hard to fathom the near bear market 19.4% drop in stocks the fourth quarter, which saw in excess of a 5,000 point drop at its nadir just in time for Christmas, or the full rebound (and then some) during the first quarter of 2019.

The bond market has seen its share of volatility as well. The past 18 months have seen 4 quarter-point (0.25%) increases in the fed-funds rate to its current 2.25% to 2.50% level. Around October 1st the 10-year treasury yielded 3.25%. With the job market strong and the unemployment rate at 50-year lows of 3.6%, it seemed the Federal Reserve had room to further tighten—at least the market interpreted Fed Chair Powell's comments that way.

Quite the opposite has happened. The 10-year Treasury yield has tumbled from 2.73% at the end of February to a recent 2.06%. The futures market has now priced in a very high probability of two to three quarter-point rate cuts by the end of the year, beginning with the July meeting.

While the market is forward looking no doubt, based on current data such as GDP and the strong jobs data detailed above, this seems extreme.

We are increasingly concerned that the Federal Reserve is too focused on the market rather than its mandate—the economy. Furthermore, if we are truly headed for a recession, we are concerned that the Fed is running out of bullets. At the end of 2006, the Fed Funds rate was 5.25%, giving room for 5 full percentage points of cuts. Granted, 2008 was not your run of the mill recession, but without the tools to fight it the next one could be stubborn.

We continue to keep our nose to the grindstone and try to block out the noise. With rates moving sharply lower, fixed income opportunities have again become sparse. With the flat (slightly inverted even, a topic for a future newsletter) yield curve, short term CDs have been the best, yet surely not most exciting, play.

On the equity side, value stocks, our typical go to despite being out of favor the past two to three years, have continued to get cheaper. The number of stocks trading at single digit or low double digit multiples of earnings is quite frankly, mind boggling. Without knowing precisely when, we do know this trend will revert. Additionally, given their higher dividend yields and lower valuations, we believe they will provide greater safety in an eventual downturn.

Thank you for your trust and confidence in all of us. Please feel free to reach out to your portfolio manager, or even to me directly, with any questions that may arise.

Sincerely,

Joe Romano,
PRESIDENT

FINANCIAL HOUSEKEEPING: CONSOLIDATION AND REVIEW

It's a fact of life: as we age, our minds, along with our bodies, are no longer capable of the same feats they could accomplish even just a few years back. There is seldom a bright line between when someone can prudently manage their assets and when they become susceptible to error and potentially, fraud. This self-realization and resulting reaction in the present can be the difference between peace of mind during future retirement (and inevitably, the ease of estate settlement thereafter) and chaos.

We came across a situation with a client recently that triggered this call to action I share now. A married couple, we'll call them Mr. & Mrs. Smith, are long-time clients of Romano Wealth. Since our relationship began, Mr. Smith has been very involved in account management, household financial decision making, and has a sharp eye for investments, which he utilized by opening a number of outside investment and retirement accounts as well. During this time, Mrs. Smith remained an auxiliary decision maker, choosing instead to cede to her husband's decisions. Recently, and very unexpectedly, Mr. Smith's health took a turn for the worse, rendering him no longer capable of being the primary financial decision maker, leaving Mrs. Smith at the helm. Lost in a world unfamiliar, Mrs. Smith reached out to her Romano Wealth advisor for help. Since then, we have worked to help Mrs. Smith understand what assets her husband held, consolidate them under one roof, and potentially combine them into fewer total accounts. The process has not been easy, nor is it over yet, but serves as a reminder how important communication, with a trusted friend or family member and financial advisors, can be on your loved ones' financial well-being should the unexpected occur.

According to the U.S. Bureau of Labor statistics, Baby Boomers average approximately 12 jobs in their lifetimes. Add on several bank, brokerage, and 401(k) accounts and it's easy to see how one could rack up far more investments accounts than necessary. Account consolidation makes your portfolio easier to track and manage, which can help you spot overlapping assets and diversify better as well as entail lower costs.

Consolidation of retirement accounts can make withdrawals simpler and avoid the headache of juggling multiple required minimum distributions (RMDs), especially if they are a mix of 401(k)s and IRAs. This matters because missing an RMD will cost you—a lot. The IRS imposes a 50% penalty on the gross amount that was supposed to withdrawn, so the fewer accounts you have to track the better.

One of the best ways to increase your investment returns is to focus on finding ways to reduce the investment fees you pay, and consolidating accounts help. Consolidation keeps costs to a minimum, as most financial advisors, like Romano Wealth, have lower management fees for larger accounts (or total household assets under management in Romano's case).

The last main advantage of account consolidation is simple: your caregivers and heirs will thank you. Consolidating as many accounts as possible will make it easier for a trusted family member or your financial advisor to step in and manage your finances when you no longer can. Having fewer accounts also reduces the chances of your estate planning being for naught. Combining retirement accounts is also a good time to review your beneficiary designations and make sure you have them structured in a way that is best for your family and loved ones. The beneficiary named on your retirement account inherits the money when you die no matter what your will says, so best to be prudent now.

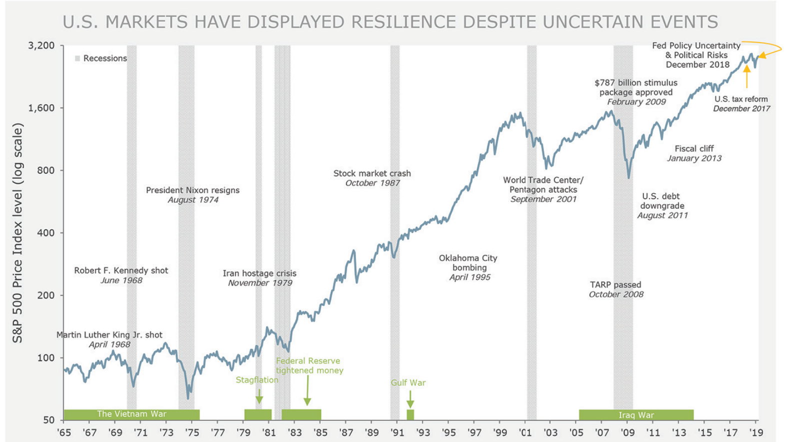
Your advisor is here to help you do exactly what we've laid out before you. Review, consolidate, update, and prepare. There is no better time than the present because tomorrow is never guaranteed. Call us today, sit down with your loved ones, and set up a plan (and maybe a back-up!) so that you can enter retirement and beyond with peace of mind.

Valerie Romano
OPERATIONS SPECIALIST

WHAT DO I DO ABOUT THE NEXT ECONOMIC CORRECTION?

It's something we've repeated over and over through the years: Markets are resilient in the long term; you just have to give them enough time. Market uncertainty is a fact of life, and volatility is a normal part of market behavior. Disruptive forces such as geopolitical crises, terrorist attacks, economic recessions, scandalous media leads, or consequential central bank policies can trigger short-lived yet influential episodes of market volatility. Even serious financial crises, like the one is 2008, historically have recuperated over the course of the market cycle. Market corrections, albeit painful for some asset classes, can offer opportunities for investors to purchase high-quality stocks at reasonable prices. While investors are appropriately cautious, near-term events and low growth expectations are not sufficient reasons to avoid investing for the longer term.

Markets are Resilent in the Long Run



Sources: Wells Fargo Investment Institute, Bloomberg, and Ned Davis Research, as of March 31, 2019. For illustrative purposes only. A price index is not a total return index and does not include the reinvestment of dividends. An index is unmanaged and not available for direct investment. ***Past performance is no guarantee of future results.*** *There is no guarantee equity markets will perform similarly during other periods of uncertainty. All investing involves risk including the possible loss of principal.*

Bottom Line: If you are nervous about the next correction and its impact on your portfolio, review your asset allocation with your portfolio manager. The truth is, there is a greater likelihood of lasting negative consequences from trying to "time the market" than there is in simply investing for the long term.

ROMANO NEWS

SHARING THE WEALTH, OF KNOWLEDGE THAT IS:

At the end of June, the Federal Reserve Bank of Chicago, along with FINRA and SEC Leadership, will be hosting a National Compliance Outreach Program that will host representatives from Broker-Dealers nationwide for a day of Panels and group discussions. Our very own Joe Romano will be sitting on a panel leading a discussion pertaining to protecting the retail investor and providing his insights on ideas such as suitability of complex financial products, issues related to senior investors and retirement accounts, and more. How lucky we are to have an industry-recognized source of knowledge leading our RWM team!

MICHAEL'S RETIREMENT

After almost 15 years with Romano Wealth Management, we are getting ready to say goodbye to Operations Specialist, Michael Appleby. Since he started way back in 2004, Michael has been an integral part of ensuring smooth front to back transactions and processing for our office. A man of few words, Michael was rarely involved in client interaction, but was almost certainly involved in any client request that passed through the office over the last decade and a half. A steadfast presence and the one of our longest-standing employees, his absence will not go unnoticed.

In retirement Michael is looking forward to sleeping in instead of catching the early morning train every day, traveling with his beautiful wife, Berta, and spending as much time with their two wonderful grandbabies as possible. Though he will be missed, we wish him the best in the next phase of life and hope he doesn't forget us too soon!

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SPEAKING OF NEXT PHASES...

WHAT'S IN THE WATER OVER HERE?

We are pleased to announce yet another match made in heaven; heaven being the Romano Wealth office of course! Thirteen-year employee Brett Larson is doubling down his commitment to the firm by joining the family as well! After developing a close friendship for years, Valerie Romano and Brett began their courtship in the summer of 2018 and sealed the deal when they got engaged in May 2019! They follow in the footsteps of President (and Uncle) Joe Romano as well as friends and colleagues Peter & Holly Hemwall, who all met their other half at the RWM offices and have proven that work and love can mix after all. Much to Valerie's chagrin, she knows she'll always have to credit her grandfather and uncle for finding the perfect guy before she did!