



CLARO ADVISORS



Quarterly Newsletter
October 2019

Quarterly Newsletter October 2019

CLARO NEWS AND ANNOUNCEMENTS

Greetings from Claro. We had a busy third quarter, and expect that to continue finishing out the year.

Office Space:

Our office space search has narrowed and expect to have an announcement soon.

Personnel:

We said goodbye to Allison Maier, and wish her well in her new endeavor.

We hired Will McDonough, who came to Claro from JP Morgan. His biography may be found on our website [here](#).

Jeff Corey, an advisor in our Boston office, and his wife Stephanie welcomed a beautiful baby boy, Liam in July. We are thrilled for them.

In the News:

For those of you who don't subscribe to Financial Advisor Magazine- Claro Advisors ranked #19 in the country for fastest growing RIA's. We were the top ranked firm in New England. This is the result of our tremendous client loyalty and the introductions you continue to make to ensure your friends, family and co-workers receive the highest level of fiduciary care with respect to their investments and wealth management.

Thank you for your continued support of our business and please enjoy the latest market commentary from Mike Mullin.

Ryan Belanger
Managing Principal

WEBINAR INVITATION: UNDERSTANDING SOCIAL SECURITY

An Educational Live Webinar With Participant Q&A Hosted by Claro Advisors, LLC. and Featuring Expert Kurt Czarnowski of [Czarnowski Consulting](#).

November 12, 2019 at 12:00 PM-EST

Please Register here: [Live Webinar Registration Link](#)

Claro Market Insights - September 2019
Sailing in a Sea of Uncertainty

So far in 2019, the seas for financial markets have proven remarkably calm despite some strong headwinds. One that has remained at the forefront is the trade tension between the U.S. and China which has started to have some negative ramifications. Global economies are feeling the repercussions of the trade war with many showing signs of slowing. The U.S. economy is holding up better than its global counterparts, however there is concern that global weakness could make an impact as economic data in the U.S. is becoming more mixed. There are also differing opinions on the direction of monetary policy as Federal Reserve committee members have indicated they are becoming more split on whether further rate action is needed. And, there has been a growing rancor between the political parties in the U.S. which could prove disruptive.

Despite these headwinds, the month of September saw equity markets advance, although for the quarter they were relatively flat. The month did see a rotation that favored “value over growth” (as the Dow Industrials outpaced the tech-heavy Nasdaq), and “small companies over large” (as the Russell 2000 advanced over 2%). International and Emerging Markets also rebounded from their August selloff, while bonds and gold were off a bit as investors favored riskier assets.

Financial Market Data				
	September	September	Q3	2019
U.S Stock Markets	Closing Price	Monthly	Quarter	YTD
S&P 500 Index Price	\$ 2,976.74	1.7%	1.2%	18.7%
Dow Jones Industrials	\$ 26,916.83	2.0%	1.2%	15.4%
NASDAQ Composite	\$ 7,999.34	0.5%	-0.1%	20.6%
Russell 2000 Index	\$ 1,523.37	2.1%	-2.4%	14.2%
International Stock Markets	Closing Price			
MSCI EAFE Index	\$ 1,889.36	2.5%	-1.7%	9.9%
MSCI Emerging Markets Index	\$ 1,001.00	1.7%	-5.1%	3.6%
U.S. Fixed Income	Yield			
90 Day T-Bill	1.88%	0.2%	0.6%	1.8%
Barclays Aggregate Index	\$ 2,221.00	-0.5%	2.3%	8.5%
S&P National AMT-Free Muni	\$ 167.29	-0.8%	1.6%	6.8%
	Closing Price			
Gold	\$ 1,464.58	-4.2%	3.9%	14.5%
Oil (WTI Spot)	\$ 54.60	-0.9%	-6.2%	20.9%
Bitcoin	\$ 8,230.59	-14.2%	-31.5%	119.0%

The biggest negative has clearly been the uncertainty surrounding trade as companies and investors alike have refrained from making investments not knowing what the resolution of the trade dispute will be, or if there will even be one. Global manufacturing indices have been in contraction territory since late 2018 to early 2019, while the U.S. Purchasing Managers Index (PMI) recently dipped into correction territory in August and is at its lowest level since 2009¹. Still, parts of the U.S economy have remained strong, including labor and consumer figures,

¹ The Purchasing Managers Index is a diffusion index summarizing economic activity in the manufacturing sector in the US. The index is based on a survey of manufacturing supply executives conducted by the Institute of Supply Management. Participants are asked to gauge activity in a number of categories like new orders, inventories, and production and these sub-indices are then combined to create the PMI. A PMI above 50 would designate an overall expansion of the manufacturing economy whereas a PMI below 50 signifies a shrinking of the manufacturing economy.

corporate earnings, and more recently building permits, which puts the U.S. economy in a bit of a murkier environment. The Leading Economic Index², for example, although positive, has been relatively flat for most of the year. The question remains if the manufacturing sector of the economy is weak enough to drag the labor market and, subsequently, the consumer and the rest of the economy down.

September also saw the Federal Reserve cut interest rates again by 25 bps (0.25%) to a target federal funds rate of 2 to 2 ¼%.³ There were however three dissents to this move and half the members indicated they would consider no further cuts for the remainder of the year. The NY Fed also had to intervene recently in the repo market to provide liquidity. Many economists view this as a one-time event necessary to meeting reserve requirements at some banks amid treasury bond buying and quarterly corporate tax payments. To others it shows a sign that there could be some cracks in the system.⁴

Finally, the political unrest in the U.S. is starting to heat up as the House pursues an impeachment inquiry against the president. It may blow over like previous disagreements (see Stormy Daniels and the Mueller report), but it also could become a major distraction for financial markets. With so much uncertainty surrounding trade, the global economy, monetary policy and politics, the seas ahead could prove quite choppy to navigate. For most investors its part of the journey, you're going to experience a few big waves along the way. For investors who prefer calmer waters and sunnier skies, they may look to reaffirm their portfolio allocations and seek shelter from the storm until it passes.

Bottom Line for Investors

What can investors do? Discuss your portfolio goals and views with your advisor. Things change over time, so it's always appropriate to revisit your tolerance for volatility and confirm your time horizon. From a behavioral standpoint, many investors believe they have a higher risk tolerance and long-term time horizon until they see their portfolios fluctuate more than usual and a fear of loss sets in. It's always helpful to have someone there to talk to and reaffirm your portfolio goals. If nothing has changed then it is ok to stay the course. There will be more sunny days ahead.

Michael Mullin, CFA
October 2, 2019

Disclosure: Claro Advisors, LLC ("Claro") is a registered investment advisor with the U.S. Securities and Exchange Commission ("SEC"). Information contained herein is for educational purposes only and is not to be considered investment advice. Claro provides individualized advice only after obtaining all necessary background information from a client. Please contact us [here](#) with any questions.

² www.conference-board.org - The composite economic indexes are the key elements in an analytic system designed to signal peaks and troughs in the business cycle. The leading, coincident, and lagging economic indexes are essentially composite averages of several individual leading, coincident, or lagging indicators. They are constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component – primarily because they smooth out some of the volatility of individual components.

³ <https://www.federalreserve.gov/monetarypolicy/fomccalendars.htm>

⁴ <https://www.bloomberg.com/news/articles/2019-09-22/repo-market-s-liquidity-crisis-has-been-a-decade-in-the-making>



CLARO ADVISORS

Quarterly Newsletter
October 2019

WWW.CLAROADVISORS.COM

BOSTON, MA (Main)

185 Dartmouth St.
6th Floor
Boston, MA 02116

WORCESTER, MA

328 Shrewsbury St.
Suite 250
Worcester, MA 01604

DEDHAM, MA

#3 Allied Dr.
Suite 303
Dedham, MA 02026

Disclosure: Claro Advisors, LLC ("Claro") is a registered investment advisor with the U.S. Securities and Exchange Commission ("SEC"). Information contained herein is for educational purposes only and is not to be considered investment advice. Claro provides individualized advice only after obtaining all necessary background information from a client. Please contact us [here](#) with any questions.

© 2019 Claro Advisors, LLC. All Rights Reserved.