

August 1, 2018

On Friday we learned the U.S. economy grew at a 4.1% annualized rate in the second quarter, which was a sharp acceleration from the 2.2% rate in the first quarter. A strong increase in consumer spending, steady fixed investment and a significant increase in exports drove the pickup in the second quarter. This was a very strong GDP result. The key questions will be whether or not the increase in consumption is sustainable and the extent to which increased trade tensions weigh on growth in the coming quarters. Exports jumped as foreign buyers were quick to purchase US goods before the announced tariffs take place. According to the Commerce Department, the top 3 American exports sold in 2017 to foreign buyers were aircrafts, gasoline (and other refined petroleum products), and motor vehicles.

Several technology stocks have been hit hard lately. Facebook saw a one-day drop in value of nearly \$120 billion, with similar percentage declines in Netflix and Twitter, among others. Is this a trend that will impact the market as a whole? Probably not, but we do not rule out another market pullback like we saw back in January (10%). Market declines are normal and help create a more healthy longer term investment environment. More worrisome would be a bear market (20% or greater decline) which typically accompanies a recession. Fortunately, the economic signs suggest that a bear market is still some distance away.

The Federal Reserve concluded its two-day meeting today and left interest rates unchanged. Their accompanying statement described the economy as strong and analysts expect another rate hike in September with possibly one more in December. While they clearly want to stay ahead of inflation, the Fed has created room to move in the event the economy slows and flirts with recession; they can reduce interest rates.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

I promise to bring some humor back to the Weekly Update; eventually. Enjoy your week!

Wade

Wade A. Sarkis, CFP®, AIF®
Managing Partner
Canandaigua Financial Group
45 Ontario Street
Canandaigua, NY 14424
(585) 396-2720

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