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**February 18, 2019**

*“Live as if you were to die tomorrow. Learn as if you were to live forever” (Mahatma Gandhi)*

**Retirement – Wealth Plan Analysis:** Are you ready for retirement? Are you on track to achieve your retirement goals? Let us help you with our Wealth Plan Analysis based on your current situation and future expectations for a healthy retirement. Please click on the 4-page questionnaire that is attached to the current e-mail, answer the questions as best you can, and send it back. Send it back securely since it will have personal information. We will then follow up with you.

**Your IRA:** Don't forget your yearly contribution for 2018 - \$5,500. For 2019 the maximum contribution is raised to \$6,000. Those aged 50 years or older may add an extra \$1,000 for both years. Please call for information on other retirement plans.

**My Website:** [www.davidjklein.com](http://www.davidjklein.com): **“Global Insight: 2019 Outlook”** is on the front page of the website. This is RBC Wealth Management's outlook for the New Year.

**Key Statistics** Year-to-date a/o 2/15/2019

Dow:	+10.96%
S&P 500:	+10.72%
Nasdaq:	+12.62%

--Best start to the year since 1987

--These would be great numbers at the end of the year, not just at the beginning

**Treasury Bond Yields:** Year- to-date a/o 2/15/2019

1-year Treasury:	2.55%
2-year Treasury:	2.52% - Yes, lower than the 1-year
5-year Treasury:	2.49% - Yes, Less than the 2-year
10-year Treasury:	2.66% - Only .14 above the 2-year
30-year Treasury:	3.00%

--Yields fell across the board last week

--**Question:** What does the narrowing spread between the 2 and 10-year yield suggest?

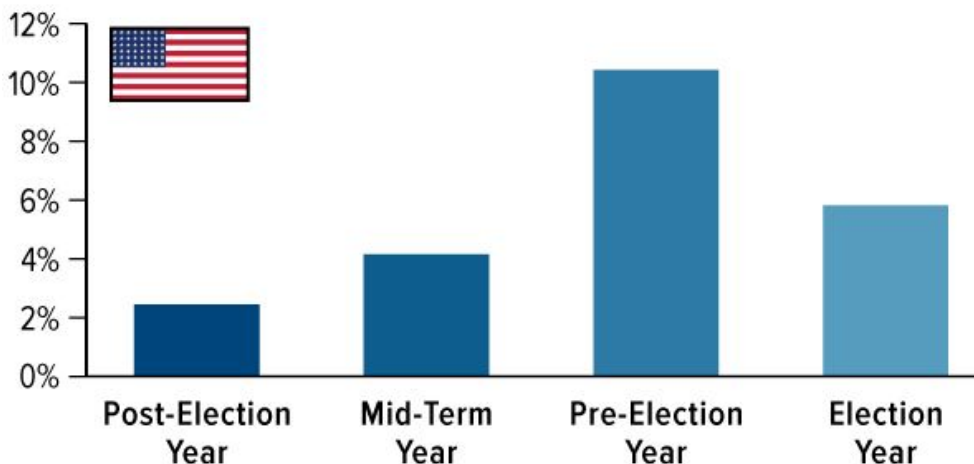
**Markets:** (Barron's, IBD, WSJ, RBC, MFS, Reuters, Advisor Perspectives)

- For the week: Dow rose +3.09%, S&P 500 rose +2.50, Nasdaq rose +2.39%
- Dow gained 3.1% for the 8<sup>th</sup> straight up week
- The big decline in the markets this past December made stocks cheap
- S&P 500 is in the heart of fair valuation – It went from a P/E of 14.5 at the end of 2018 to its current fair valuation P/E of 16.2
- Projections are for more retail investors to come back into the market

**Presidential Cycle:** We are now in the 3<sup>rd</sup> year of the 4-year presidential cycle. Historically, the 3<sup>rd</sup> year has been the best performing year of the President's 4-year term. We're off to a great start this year. Let's hope it continues. Past performance is not a guarantee of future results.

## Four-Year Presidential Cycle: Average Annual Stock Market Gains

1833 – 2013

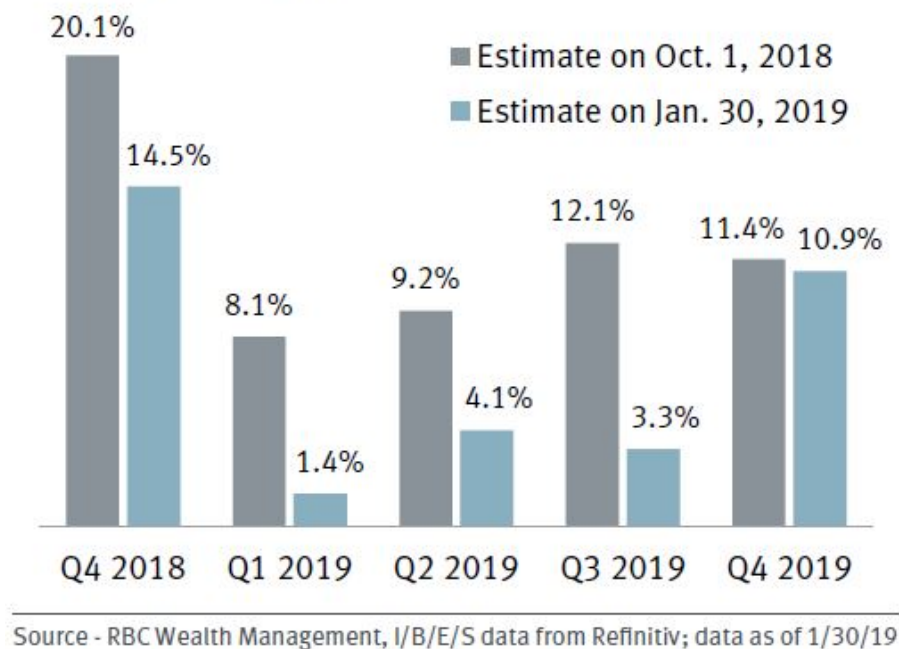


Past performance does not guarantee future results.  
**Source:** Stock Trader's Almanac, U.S. Global Investors

**Economic News:** (Barron's, IBD, WSJ, RBC, MFS, Reuters, Advisor Perspectives)

- Soft economic news has drawn attention
- Industrial production declined in January – the 1<sup>st</sup> drop in 8 months
- December retail sales fell the most for any month since 2009
- Weekly jobless claims also disappointing
- Weak sales data has prompted downward revisions of economic growth forecasts
- Consensus forecasts show a decline in corporate earnings growth – yet earnings are currently running at a 13.1% pace year over year

**Change in consensus forecasts for quarterly S&P 500 earnings growth (y/y)**



**NFIB:** The National Federated of Independent Businesses

- The NFIB is the largest small business association in the United States
- The typical NFIB member employs 10 people and reports gross sales of about \$500,000 a year.
- The NFIB conducts surveys every month to determine the needs and problems of small businesses – following is the January survey
- Quality of labor, taxes, and government red tape are the most pressing issues

## NFIB Most Important Problem: January 2019

Problem	Percent (%)		
	January	December	Change
Quality of Labor	23	23	0
Taxes	15	13	2
Govt Red Tape	12	14	-2
Other	11	7	4
Cost of Insurance	9	13	-4
Competition	9	10	-1
Poor Sales	9	9	0
Cost of Labor	8	7	1
Fin & Interest Rates	2	3	-1
Inflation	2	1	1

Source: Bespoke Investment Group

### International News:

- Germany, Europe's largest economy narrowly avoiding falling into recession
- US-China trade friction weighing on demand for European exports
- Industrial production dropped 4.2% in eurozone in December
- Spain's Socialist government's spending plan rejected – Spain will have its 3<sup>rd</sup> election in 4 years
- British Prime Minister May's Brexit plan rejected once again in UK parliament – UK is scheduled to withdraw from the European Union in 6 weeks

**Question of the Week:** What is the classic definition of an economic recession?

**Question and Answer from Last Week:** What was the approximate value of the US stock market at the end of last year, 12/31/2018?

**Answer:** The US stock market was worth \$27.4 trillion as of 12/31/2018

## **Did You Know:**

- 53% of American taxpayers reported *less than \$40,000 of adjusted gross income* for tax year 2016. (BTN Research, IRS)
- **Elizabeth Warren**, Democratic presidential candidate, has proposed an *annual wealth tax* of 2% on household wealth in *excess of \$50 million* and 3% on household wealth in *excess of \$1 billion*. Jeff Bezos, America's richest person, worth \$160 billion, would *pay an annual wealth tax of \$4.77 billion*. (BTN Research)

**Sports Trivia:** Training camps for *major league baseball teams* open this week. The *minimum salary* for a major league baseball player for 2019 is **\$555,000**. Based on tax data of 2016, a person would rank in the *top 1%* of all US taxpayers with an adjusted gross income of at least \$480,804 (BTN Research, Major League Baseball)

**Tax Reporting:** *Reporting date for your 1099 has been changed to February 22.* Following is a list of estimated mailing dates for various tax reporting documents that you may receive from RBC Wealth Management.

<b>Tax Reporting Document</b>	<b>Estimated Mailing Date</b>
1099-R	January 31, 2019
Fair Market Value Statements	January 31, 2019
1099 Tax Information Summary	February 15, 2019
Income Summary (FYI Statement)	February 28, 2019
REMIC Tax Information Summary	March 15, 2019
1042-S	March 15, 2019
Revised 1099 Tax Information Summary (tax year 2018 – revision 1)	On or about March 16, 2019
Revised 1099 Tax Information Summary (tax year 2018 – revision 2)	On or about April 5, 2019
5498	May 31, 2019
Revised 1099 Tax Information Summary (tax years 2015 – 2018)	May 2019

**Referrals:** Many sincere thanks for your referrals of family, friends, and associates. I am deeply appreciative.

Sincerely,

***David J. Klein***

Senior Vice-President – Financial Advisor

[www.davidjklein.com](http://www.davidjklein.com)

The views presented here are solely the views and opinions of David Klein and do not reflect the views of RBC Wealth Management, or its officers and directors. Data is believed to be from reliable sources, but we make no representation as to its accuracy or completeness.

The Dow Jones Industrial Average covers 30 blue chip U.S. companies selected by the editors of the Wall Street Journal. The Dow represents about 25% of the NYSE market capitalization and less than 2% of NYSE issues.

The Nasdaq Composite is a market-value weighted index that measures all NASDAQ domestic and foreign common stocks. The Standard and Poor's 500 is an unmanaged, capitalization weighted benchmark that tracks broad-based changes in the U.S. stock market.

This index of 500 common stocks is comprised of 400 industrial, 20 transportation, 40 utility, and 40 financial companies representing major U.S. industry sectors. The index is calculated on a total return basis with dividends reinvested and is not available for direct investment.

This material is based on data obtained from sources considered to be reliable. However, it is not guaranteed to accuracy and does not purport to be complete. The illustrations are for informational use only.

RBC Wealth Management does not provide tax or legal advice. All decisions regarding the tax or legal implications of your investments should be made in conjunction with your independent tax or legal advisor.

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