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PENINSULA WEALTH NEWSLETTER

Market Recap

Quarter 3 started on a very positive note, as markets continued the rally that commenced in June, with both the S&P 500 and NASDAQ reaching new all-time highs in July. Since then, the markets have traded back and forth - declining and testing the highs, but not surpassing them. Although at a slower pace than it has been, the economy is projected to grow at 2.2%, unemployment remains low, jobs continue to be created, and the readings on retail spending are rising. So you may ask yourself, what is the need for concern and why should I be cautious of the markets? The primary answers are that the economic data is starting to be more mixed as of late. While people are spending, the sentiment, or the way the average consumer feels about spending in the future, has dropped. Manufacturing and production have slowed, which could be a sign of things to come. Also, the US Treasury yield curve inverted, a sign that has been a precursor to the last 7 U.S. recessions. While economic readings have been mixed in the U.S. as of late, data out of Europe, most particularly those figures showing a slowdown in manufacturing and production as well as steadily declining bond yields, now negative in several countries, show that major economies in the region could be sliding into recession.

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IN THIS EDITION:

MARKET RECAP, Continued

In addition to focus on economic data, news from the political front also weighs on the minds of investors, as the markets continue to digest periodic breaking news regarding the U.S. / China trade talks and a development that came into the picture the latter half of the quarter, impeachment of the president. Going into Quarter 4, while we still feel that a recession is not imminent prior to year-end, there are factors, such as the effect that tariffs may start to have on both consumer spending and corporate earnings that may dictate how and potentially when a recession may happen. In other words, we are on watch, as both US and global recession risks remain elevated and recession could be a possibility over the next year.

Market Returns as of 9/30/2019

Index	2019 YTD as of 9/30/2019
S&P 500	20.55%
NASDAQ	21.54%
Russell 2000	14.18%
MSCI EAFE	12.80%
MSCI Emerging Markets	3.65%
Dow Jones US Real Estate	27.91%
Fed Funds Rate	2.00%

Market index performance figures obtained through Morningstar.com and Marketwatch.com.

Peninsula Wealth's Viewpoint on Equities is as follows:

- While GDP growth is forecasted to decline, we feel that U.S. Equities present better current opportunity than their global counterparts.
- Due to the fact value stocks tend to outperform during the latter stages of an economic expansion cycle, we currently favor U.S. Large Cap Value stocks over U.S. Large Cap Growth and U.S. Small Cap stocks.
- We anticipate International Developed Markets equities to continue to lag in performance, as economic readings continue to deteriorate while political instability is on the rise.
- Emerging Markets equities may still present good long-term growth potential and a weaker dollar could act to provide short-term support to prices.

While Peninsula Wealth emphasizes the importance of staying diversified in your portfolio, now more than ever it is very important to understand markets cycles, your emotions, and how you react to movements in the market, so you do not make the wrong decision at a bad time.

Peninsula Wealth Holiday Dinner Monday, December 9th:

Please save the date for our annual holiday dinner!

Monday, December 9th 5:30PM – 8:00PM

THREE Craft Restaurant and Bar

50 E 3rd Ave

San Mateo CA 94401

REMINDERS

Financial Planning Reminder

Are you one of the 50 million+ Americans on Medicare? If so, don't forget that you have the opportunity to change coverages during Open Enrollment from October 15th through December 7th. While you may be happy with your current choices, now may be a good time to check if your existing plans made any changes that might impact your care such as eliminating care providers, revising coverage levels, drug plan changes, etc.

Year-End Planning Reminders

Charitable Contribution deadline, Friday, December 13th

Please be advised that we need your requests for any charitable contributions by this date. Often it makes more sense to donate shares of highly appreciated stock instead of cash due to the fact you may be able to claim for the full market deduction and you transfer the capital gain, while the charity realizes the full value of the charitable donation. Please work with your CPA to make sure this makes sense in your situation.

Roth Conversion Deadline Friday, December 13th

Please let us know if you are going to be converting any traditional or rollover IRA money to a Roth IRA for the 2019 tax year by this date. This strategy makes the most sense if this has been a year lower income for you. It may still make sense if you are a high-income earner since we feel this is also an effective Estate Planning strategy. Please work with your CPA to determine your deductions and verify your conversion tax rate

Minimum Required Distribution Deadline, December 13th

If you have not yet taken the Minimum Required Distribution from your IRA, please be certain you contact us prior to the deadline to complete this.

2020 Goals and Planning Topics

The New Year will be here before we know it. In addition to the discussions about your overall investment allocation and markets, please use your Quarter 4 Review meetings as a forum to discuss your plans and goals going into 2020, so we can start the year ready and prepared.