

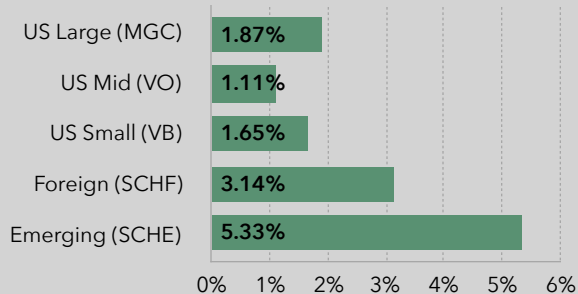
October 2019

Economic Data

- Despite roughly 46,000 jobs lost due to the UAW strike at GM, US payrolls beat expectations and rose 128,000 in October; unemployment edged up one-tenth to 3.6%
- Retail sales were down 0.3% in September, with weaker auto sales being a large contributing factor
- Y/y inflation (CPI) was unchanged at 1.7% in September
- Existing home sales fell 2.2% in September, with the Midwest getting hit the hardest

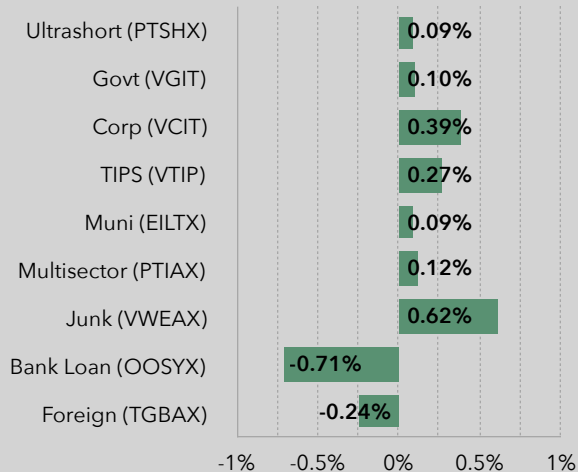
Stocks

October Returns



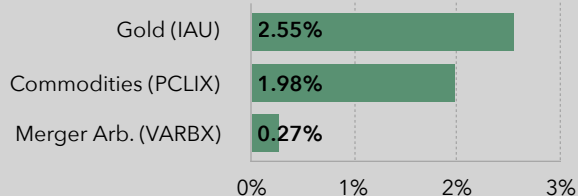
Bonds

October Returns



Alternatives

October Returns



Performance data provided by Morningstar.

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and is not guided by emotions. It is that second system – type 2 – that we want in control of our investment portfolios.

Brexit Through the Gift Shop

Well, October 31st has come and gone, and there were two things of note on my calendar that were supposed to happen that day. The first was Halloween, and I definitely remember that happening. I went as Adam Neumann lighting \$47 billion on fire while talking about elevated states of consciousness. No, just kidding, but that would have been funny. The second was Brexit, and I'm pretty certain that didn't happen at all. Maybe we'll check in again next year.

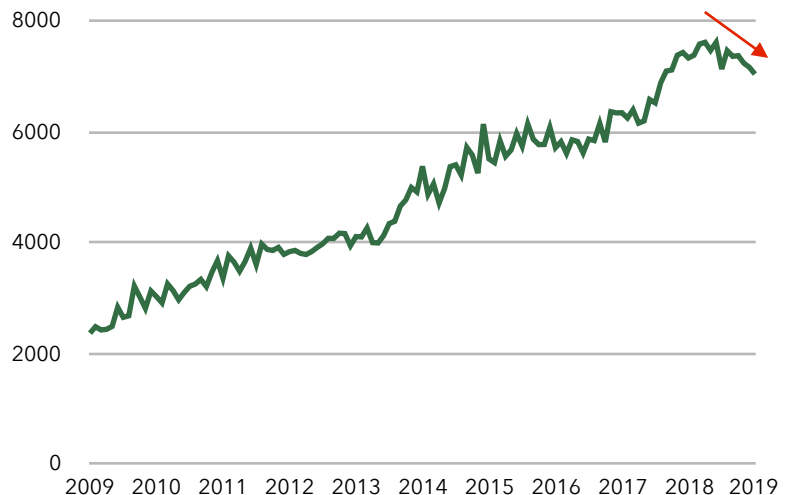
Final Cut

The Federal Reserve made a third cut to interest rates at its October meeting, bringing their key overnight lending rate target range down to 1.50% to 1.75% and successfully flattening out the once-inverted yield curve. However, they indicated this would be the last cut for the time being, unless the economy takes a really bad turn.

"We took this step to help keep the economy strong in the face of global developments and to provide some insurance against ongoing risks," Chairman Powell said. "We see the current stance of monetary policy as likely to remain appropriate as long as incoming information about the economy remains broadly consistent with our outlook."

Guess who wasn't happy about that? "People are VERY disappointed in Jay Powell and the Federal Reserve...", President Trump tweeted following the cut. The President has been very outspoken about the Fed, defying the long-standing tradition of independence from political pressure the Fed is supposed to enjoy. He obviously has his reasons. Lower interest rates support a stronger economy, and standing presidents have a good track-record for getting re-elected when the economy is humming along. And there have been some signs of weakness in the economy. Job openings, for example, have rolled over. The biggest decline has been in the Midwest, a region where Trump won 10 out of 12 of the states in the 2016 election. Job

Job Openings: Total Nonfarm (in Thousands)



Source: U.S. Bureau of Labor Statistics

openings were down 13.5% there from a year ago – the worst decline in nearly a decade. And as noted in the economic data in the grey box on the previous page, the housing market in the Midwest is also struggling.

One thing the President can influence control over is the trade negotiations with China, and the market has been hitting new highs on optimism that a trade deal might be on the horizon. U.S. officials indicated last week that a trade deal that would allow companies to again sell components to Chinese telecommunications equipment maker Huawei could be signed this month. I feel like we've heard this sort of thing a half-dozen times before and been fooled every time. But a deal would be good for the economy, and the election is only one year from now. Who knows, this time might actually be different.

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Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
Fixed Income					
Ultrashort					●
US Govt.		●			
TIPS				●	
Multisector			●		
Bank Loans	●				
Foreign Bonds			●		
Equities					
Large Cap	●				
Mid Cap	●				
Small Cap	●				
Developed Intl.		●			
Emerging			●		
Alternatives					
Commodities					●
Hedging					●

Binge Box

Adam Ruins Everything (Netflix)

On more than one occasion I've said something like, "you shouldn't buy Toms shoes because it hurts the African textile industry," or "renting is not 'throwing your money away,'" or "buying a new electric car isn't really good for the environment." Things that kind of challenge the conventional wisdom. And somebody will then say, "oh, did you learn that from *Adam Ruins Everything*?" And I'll say, "what's that?" Well, I finally watched it, and not surprisingly I really enjoyed it. Adam uses a good mix of comedy and scientific research to debunk a lot of misconceptions society has, and who wouldn't enjoy having their long-held beliefs picked apart? Of course, now I have to wonder... do I ruin everything?

About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser based in Chicago, IL. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select clients. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.

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