



KEEP SAFE INVESTMENTS

Welcome to the KEEP Safe Investments Quarterly Newsletter

2nd Quarter 2018

Stock Market Lull

The second quarter ended with stocks and bonds fairly flat for the year overall. The S&P 500 was up 2.3% on the quarter, helping it turn slightly positive for the year at 1.7%. The Nasdaq, with a big push from technology, was up 6.3% for the quarter and 8.8% on the year. The Dow, up 0.7% on the quarter, still remains in negative territory for the year, down -1.8%.

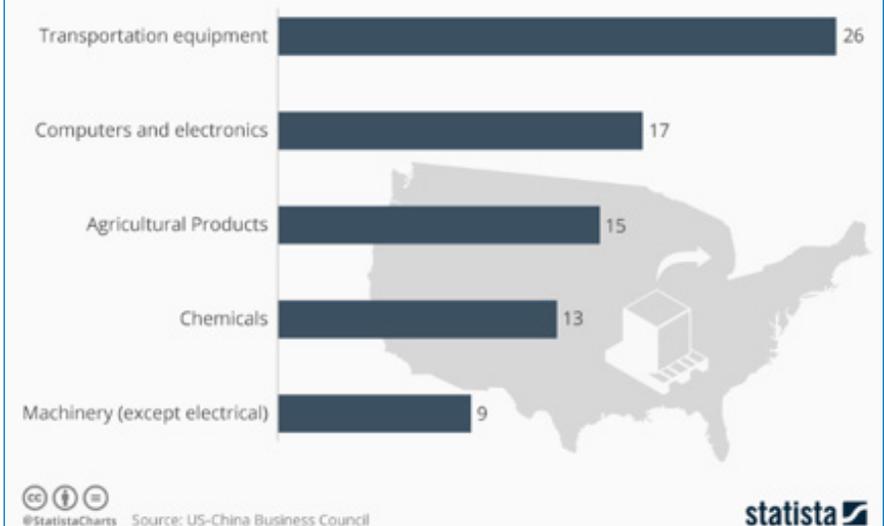
Trade Wars

On the economic front, the leading issue has been trade wars. Both the equity markets and bond markets reacted very strongly to tariff announcements and retaliatory measures. The threat of a global trade war has been front-of-mind for Wall Street for several weeks. While the dialogue changes nearly daily, the notion of a global dispute has been a constant. While it is not certain the US will ignite a trade war, it doesn't mean the possibility isn't a concern. A trade war is the biggest threat to the stock market for the remainder of 2018.

"This is a big deal for profits even if it isn't as big of a deal for the economy," said Jeff Kleintop, chief global investment strategist for Schwab. Imports and exports often cancel out as it relates to the economy, but with half of the profits of most of the companies in the market indices being driven by international trades, and that was not the case 30 years ago, it does have

The US Industries Most At Risk In A Trade War With China

Leading export categories of the United States to China in 2015 (in billion U.S. dollars)



a really big impact on the stock market, even if the economic impact may not be as pronounced.

The stock market hasn't taken well to the notion of a trade war. The Dow slipped nine sessions out of 10 in late-June as the U.S. and China

traded blows in the form of export tariffs. But the downward pressure from trade threats could easily reverse, if global economies come to a resolution and avert a trade war.

That's been the name of the game with the Trump administration -- start scary, then walk back the threat to a much more digestible place. That strategy will likely continue with trade disputes. While the U.S. administration's rhetoric is pretty wild and heated, the reality has actually been pretty mild. The administration has backed down again and again from some of these more wild negotiating positions. And the reality of a negotiated global trade environment that averts all-out war could be pretty great for stocks.

The hope is that in the second half of the year, we will see something similar. If we do, the stock market is likely to have a better second half than it did the first half of the year. Economies around the world are doing quite well. It is the trade jitters that are holding them back. If those fade, the solid economic growth will continue to lift profits and support stocks. The likelihood of a true trade war that implicates all developed economies remains far-off, despite the headline risk markets are currently managing.

Jobs Market

Wall Street celebrated a better-than-expected jobs report with more than 213,000 jobs added in the month of June, according to data released

by the Labor Department. The job gains beat analyst forecasts of 195,000 new positions and marked the second consecutive month of more than 200,000 jobs added.



Despite the massive job gains, the unemployment rate ticked to 4 percent — up from 3.8 percent in May — as more job-seekers entered the market emboldened by months of strong employment data. The jobs figure is a positive signal for the economy. For the first time since 2000 there are more job openings than those looking for work.

Meanwhile, wage growth, which has been a closely watched gauge for how quickly the Federal Reserve will raise interest rates, held steady at 2.7 percent annual growth, the Labor Department said. Financial markets panicked in February when data showed wage growth at 2.9 percent annually. The relatively high pace left investors fearing the Fed would aggressively hike rates to tamp down inflation. But wage growth standing at 2.7 percent, even as unemployment stays relatively low, suggests the economy has room to run before overheating.

2nd Half 2018 Outlook

Our outlook for the US economy in the second half of the year is that it will continue to grow, however at a slower pace. Our concerns for the US stock market include: Increase in inflation and decreased earnings growth. Interest rates could start to be a concern. The Federal Reserve increased interest rates in June by 0.25% and the market predicts a further two increases this year. Earnings are a catalyst for markets to increase, but it can be a double-edged sword. The market often sets itself for disappointment when expectations are not adjusted. The US market is the most expensive market in the world, and history has shown us that the EPS (earnings per share) momentum that we have experienced over the past five years, can continue to grow at the same pace.

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About KEEP Safe Investments

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As a privately held asset and financial advisory firm, we endeavor to offer independent, unbiased financial advice focusing on each individual client's retirement goals.

Kristi Berge

Founder and CEO of KEEP Safe Investments, LLC. Kristi has worked in the financial industry for 15 years at Morgan Stanley and the Guinness Family Office (Iveagh Ltd).

A graduate of Columbia University with degrees in Economics and Mathematics, Kristi is fluent in French. Upon graduation, she joined Morgan Stanley where she worked on the bond sales and trading desk in Paris, London and New York. Kristi returned to London and joined Iveagh Ltd to work on the Investment team covering a range of products: equities, fixed income, currencies, commodities, alternative investments and property.

Kristi holds the Series 63 and Series 65 as well as the SFA and Life Insurance license.

Carin Johnson

Carin serves as Chief Compliance Officer for KEEP Safe Investments. Carin is charged with being an independent and objective resource that oversees implementation of KEEP Safe Investment's compliance and regulatory efforts.

Carin's experience in the financial industry spans more than 20 years. Previously serving as a Financial Center Manager with Wells Fargo Bank, N.A., she was responsible for the overall operation and success of the branch. As a managing Assistant Vice President, she coached her team in service, sales and financial guidance. Carin was a prominent face in the Wells Fargo community, cultivating relationships with many of the area's businesses and leading her region in performance.

Carin attended Northampton Community College and East Stroudsburg University.

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Contact Us

As always, please do not hesitate to contact us if you have any questions or concerns.

Phone: 215.539.8509

Email: kristi@keepsafeinvestments.com