C&J WEALTH ADVISORS

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Dear Valued Client,

For the past several years, there has been a growing sense that the economy is not reaching its full potential. That criticism is born partly from the fact that monetary policy from the Federal Reserve is doing all the heavy-lifting for the economy, while fiscal policy remains sidelined by political gridlock. The lack of coordination between fiscal and monetary policy has created a vacuum of uncertainty and a growing list of unmet investments that have collectively slowed economic growth and created some dysfunction in government. That dysfunction may continue in a Trump administration, but having the President and the Congress on the same side of the table greatly relieves political gridlock and brings fiscal policy off the sidelines and back into the game of facilitating economic growth. These expectations of increased fiscal stimulus have given stocks a jolt, with the S&P 500 up 3.29% since the election, now trading at the highs for the year. As fiscal policy moves into the driver's seat, it is expected that the Federal Reserve will take a back seat as monetary policy continues its slow path of normalizing interest rates. Even though the Federal Reserve has not raised interest rates yet this year, the bond market has already moved lower (rates higher) since the election on these expectations, shown below.

	Election Eve	Today	
• 10-year Treasury Note	1.83%	2.31%	
• 30-year fixed mortgage	3.54%	3.94%	Source: Freddie Mac
• 15-year fixed mortgage	2.84%	3.14%	Source: Freddie Mac

These moves in interest rates have hurt bond prices, but clients should know that the domestic bond funds we own are all short-term maturities of 3 years or less, so they will not have the same degree of price volatility as an intermediate or long-term bond would experience. We have been defensively positioned this way across our fixed income allocations for a while now based on the simple premise that the additional income received from longer term bonds is not worth the risk. Just as an example, half of the annual return from Vanguard Total Bond Market Index was erased from the end of October until today as a result of rising rates (5.02% to 2.48%). Within the short-term spectrum of fixed income, we continue to believe the best strategy for the current environment is a

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mix of cash, investment grade corporate bonds, senior secured floating rate loans, and some emerging market bonds.

Our thoughts on domestic equities are mixed. On the one hand, we are pleased to see the equity markets perform well and believe that fiscal policy has the potential to accelerate earnings growth and prolong the bull market. On the other hand, stock valuations are already high across several areas of the market and if inflation expectations move higher, there may be downward pressure on stock valuations. No matter which scenario ultimately transpires, we will continue our disciplined equity investment approach with an acute focus on risk mitigation and portfolio resiliency.

In closing, we are truly grateful for the loyalty and trust that you place in us. Because of your generosity, we have been able to give ADFAC (Aid to Distressed Families of Appalachian Counties) $4,490 this year. Happy Thanksgiving!

Sincerely,

C&J Wealth Advisors

J. Mark King, CFP®
Scott Smith, CIMA®
Jeff Loos, ChFC®, LUTCF

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The S&P 500 consists of 500 stocks chosen for market size, liquidity and industry group representation. Each stock's weight in the index is proportionate to its market value. The S&P 500 is one of the most widely used benchmarks of US equity performance. The MSCI World Index is a market capitalization-weighted index designed to provide a broad measure of equity market performance throughout 23 countries in the developed world.

The opinions and forecasts expressed may not actually come to pass. This information is subject to change at any time, based on market and other conditions and should not be construed as a recommendation of any specific security or investment plan. The advisor does not guarantee the accuracy and completeness, nor assume liability for loss that may result from the reliance by any person upon such information or opinions. Past performance does not guarantee future results.

Diversification can be thought of as spreading your investment dollars into various asset classes to add balance to your portfolio. Although it doesn't guarantee a profit, it may be able to reduce the volatility of your portfolio.