Regency
INVESTMENT ADVISORS℠

FOCUS360°

May 2018

Talking Trade & Tariff

Diversification, long-term outlook important


Alex Amundson

Potential changes to the United States' international trade agreements have grabbed headlines a lot in recent weeks. Investors have seen stories about withdrawal from — and then reconsideration of — the Trans-Pacific Partnership (TPP), changes to the North American Free Trade Agreement (NAFTA), tariffs getting slapped on certain products or commodities, and more. There are even sensational headlines about "trade wars" and retaliation, words perhaps meant to draw even greater attention.

Investors might be wondering how such tariffs or changes to trade agreements could affect the markets. While no one has a crystal ball, in the short term these headlines may have generated some market volatility. But investors with a longer-term perspective may be able to view these headlines differently.

First, why the potential changes? "The concern is that the United States has opened up its markets, but that we're not getting the same open-market treatment from certain countries," said Alex Amundson, Servicing Advisor and Paraplanner for Regency Investment Advisors. "With some countries the United States has excellent trade agreements. But with others, a lot of people say we're getting the short end of the stick when other countries aren't playing by the rules of the original agreements."

Alex said it's important for investors to remember that potential trade-agreement changes highlighted in the press — including the tariffs — are neither knee-jerk nor set in stone. "The press is presenting this as being about sudden, permanent changes to trade agreements, but it's not. It's more about having leverage to renegotiate those agreements, especially those that might not be working as expected," Alex said. "The bottom line? Current actions about trade agreements or tariffs are likely just an early step in a renegotiation, where each side is jockeying for position and looking for leverage."

Additionally, both sides have more to lose by not engaging in trade than they would experience during a short-term renegotiation. "While each side might want to renegotiate those trade agreements, the reality is neither side wants to lose those trading relationships," Alex said. "For example, if China did not want the United States as a trading partner, they could simply confiscate all U.S. business assets there and kick us out. But that's not going to happen; the U.S. is the highest consuming country in the world, and trade is far too important to both countries."

See 'Tariffs' on Page 2

Regency welcomes Elizabeth Muñoz and Ashlee Veneman

Regency Investment Advisors is pleased to announce two new additions to our team.

First, Regency welcomes Elizabeth Muñoz as our new Retirement Plan Specialist. Elizabeth holds an Accredited Investment Fiduciary (AIF®) credential and brings seven years of financial-services and retirement-plan industry experience to Regency. She earned her MBA in Global Business from Pepperdine University and her B.S. degree from UC Santa Barbara. At Regency, she'll work with Chris Comstock in managing various facets of Regency's multiple-participant retirement plans. She's reachable at emunoz@regencyinvests.com.


Elizabeth Muñoz

Regency also welcomes Ashlee Veneman as our new Associate Planner. Ashlee brings 10 years financial-industry experience to Regency, where she'll assess, gather data, and prepare financial-planning reports for clients. She'll also assist Regency in our goal of enhancing client communications. Ashlee earned her B.S. in Business Administration from Fresno State, holds a Series 65 designation, and is a candidate for the Certified Financial Planner ™ (CFP®) certification. She's also the President-Elect of the Central California chapter of the Financial Planning Association. Ashlee is reachable at aveneman@regencyinvests.com


Ashlee Veneman

Breanna Tamayo, previously in the role of Client Service Specialist, has moved on to the Bay Area. Regency wishes her well in her new endeavors!

REGENCY MARKET COMMENTARY: THROUGH APRIL 30, 2018

Key Indexes Source: Morningstar	YTD	1 yr	3 yr	5 yr	10 yr	20 yr
			ANNUALIZED RETURNS			
DJ Industrial Average – Large Cap	-1.63%	18.09%	13.44%	12.96%	9.39%	7.50%
S&P 500 – Large Cap	-0.38%	13.27%	10.57%	12.96%	9.02%	6.42%
Russell 2000 – Small Cap	0.78%	11.54%	9.64%	11.74%	9.49%	7.39%
MSCI EAFE – Foreign Large Cap	0.72%	14.51%	4.94%	5.90%	2.43%	4.52%
Barclays US Aggregate – Bonds	-2.19%	-0.32%	1.07%	1.47%	3.57%	4.76%
USTREAS 3-Month T-Bills	0.43%	1.00%	0.47%	0.30%	0.31%	1.89%
IA SBBI US Inflation	1.11%	1.94%	1.75%	1.40%	1.50%	2.16%

With the return of volatility after its near absence, the market's behavior over the first quarter may have left some investors feeling unsettled. After a 16-18 month period with almost no volatility, suddenly the markets are experiencing a rush of volatility, with daily swings perhaps setting off the butterflies with fair frequency.

The VIX — a measure of volatility — stayed at near all-time lows throughout most of 2017, eventually reaching an all-time low of 9. From October 2016 through the end of 2017, the S&P 500 experienced only five "down" days of more than 1 percent and not a single negative month. But in 2018, the rough seas were back, with the VIX reaching 20. While that's a big increase it is important to keep in mind that the average is 19.8 and is nowhere close to the peak of 80.9 it reached in 2008.

We believe several factors brought volatility back to the markets. First, inflation is now higher than it has been in quite some time, and while investors can find inflation to be unsettling, it can also be a sign of an economy moving forward. Second, with the Federal Reserve decreasing its book, interest rates—as long forecast—are beginning to push upwards. In the last quarter, Treasury rates were as low as 2.5 percent on the 10-year, but recent measures have seen them rise to 3.01. For interest rates, that's a pretty wild swing.

Equity investors had been enjoying a smooth ride supported by low inflation and low interest rates, termed a "Goldilocks scenario" for equities. The sudden inflation and concerns over rising interest rates are triggering higher volatility. Some may wonder if we've entered a scenario best described as "anti-Goldilocks." To others, it may feel like a perfect storm.

But when examining economic performance, it becomes difficult to find measures that would be cause for concern about a larger downturn. US GDP in the first quarter rose 2.3 percent (annualized) against estimates of 2.0 percent. US Core PCE rose 1.9 percent, which remains very close to the Fed's target of 2 percent (the 50-year average is 3.5 percent). Eurozone GDP estimates have declined slightly for 2018 from 2.4 percent to 2.3 percent, but are still positive and improving. Consumer prices are also higher, but inflation is still struggling to really take hold. Consensus among analysts right now is fundamentals remain strong, and that while the economy may cool off as we draw near the end of a business cycle, a major downturn in the immediate future appears unlikely.

So how does an investor ride out the current volatility? In Regency's view, the keys remain keeping your investments properly diversified, and maintaining a long-term perspective. For some investors, jumping in and out of the markets during times of volatility can be tempting. But doing so would be an attempt at market timing. We feel that remaining invested and diversified offers the potential for better returns in the long term. For example, the S&P 500 return for the last 10 calendar years (2008-2017) was 8.5 percent per year. But investors who jumped out and missed the 10 best trading days during that period saw their return drop to a mere 1.3 percent per year.

Time to review your portfolio? Contact your Regency advisor today at (559) 438-2640.

FOCUS 360 Disclosure*: Past performance is not indicative of future results, and inherent in any investment in the market is a possibility of loss. There are inherent limitations in making assumptions due to the cyclical nature of the market.*

Tariffs continued from Page 1

So, what should investors watch for? "Investors should realize a lot of it is just political and posturing," Alex said. "It would be great if all the negotiating took place behind closed doors, but we're confident the details will work out into a middle ground in the end. While tariffs have the potential to affect individual companies in selected industries, we're confident well-diversified investors with a long-term view will likely ride out any headline volatility and come out stronger on the other side."

Have questions about the effects of tariff and trade on your portfolio? Contact your Regency advisor today at (559) 438-2640.

FRESNO MADERA MEDICAL SOCIETY

Helping young doctors practice here at home

From time to time Focus 360 will include profiles of people and organizations making a difference in our community. It is not known whether those profiled approve or disapprove of Regency Investment Advisors or its advisory services provided. This article reflects the opinions of those interviewed and should not be taken as a request for you to donate to any particular organization.

It's a milestone of parental pride when your daughter or son comes home, with good grades and excellent test scores and an appropriate undergraduate degree under their belt, and announces proudly, "I want to go to medical school."

An expensive dream

Who doesn't dream of having a doctor in the family? To go through so many years of education, to develop that expertise and compassion, skill and empathy, all to take a hands-on approach to making this part of the world a slightly better place. It's a proud achievement.

Then, after the "My kid's going to be a doctor!" euphoria fades, as a parent you realize: Medical school is darned expensive.

"Currently, the average cost of medical school is between $200,000 and $300,000. And that's just for the schooling itself," said Nicole Butler, Executive Director of the Fresno Madera Medical Society.

We've all heard stories of fresh medical-school grads hanging by a thread, facing a looming cliff of student loans. Some are forced to take a position far away from where they had originally intended to practice, remaining elsewhere until they can get the loans paid down, and sometimes not being able to come back.

The exodus is real

For medical students, that debt load has contributed to a bit of an exodus among talented young doctors from places like Fresno and Madera Counties. Between student loan debt and attractive opportunities elsewhere, it's a daunting challenge for those dreaming of being a doctor right here at home.

So what can be done? According to Butler, the Fresno Madera Medical Society (FMMS) is taking a different approach through its Scholarship Foundation. Scholarship dollars can help to relieve that crushing debt burden among medical students, perhaps even allowing them to practice affordably right here at home.

Nicole Butler

"The Foundation was created in the 1960s, with excess funds from polio clinics the Society hosted back then for the general public," Butler said. "Since its inception, the Foundation and its Board of Governors have granted more than $1 million dollars to medical students."

Some of the students supported by FMMS scholarships have indeed returned to the Central Valley and built successful practices here. Additionally, and until recently, 100 percent of the Foundation's scholarship dollars came from Valley physicians. Butler cited that at present 100 percent of the scholarships are going to medical students from Fresno and Madera Counties.

But with medical-school costs increasing, the Foundation is also trying to increase the dollar amounts of the scholarships they provide. "It's really about supporting the next generation of physicians in as many ways as possible, in the hopes those students return to the Valley to practice medicine," Butler said. "We really want to increase these dollar amounts, and we're always trying to figure out ways to do so," she added.

Summer Meltdown

One of those ways is the Foundation's "Summer Meltdown" event, an event that brings together more than 600 people to support the cause. "'Summer Meltdown' has a sit-down dinner, open bar, live and silent auctions, and a professional comedian to provide a lot of laughter," Butler said. With this year's event happening Aug. 24, Butler said the Foundation can't wait to announce this year's comedian.

To learn more about the Foundation, visit its website at www.fmms.org.

Regency
INVESTMENT ADVISORS℠
1312 W. Herndon Avenue, Suite 101
Fresno, CA 93711

Return Service Requested

Hot Topics: Guarding Your Info On Social Media is No Game

By Steve Guinn, CIMA®, AIFA® and Client Advisor

At Regency, we've implemented systems to help protect our clients' personal information, some of which we described in an article we published in Focus 360 a few months ago.


Steve Guinn

But lately — and I'm sure you've seen the headlines — there's been a bit of a brouhaha about how some social media platforms have been sharing their users' personal information with outside data-mining companies, in the hopes of reaching individuals with political messages from all sides. Perhaps you read or saw how the founder of one of the most popular social media platforms had to testify before Congress about such data sharing.

While people have concerns about what companies are doing with their private information, I'm still surprised by how many people are ready and willing to share personal details on social media, in anything from a post to a "just for fun" quiz.

An example: You've probably seen the "Learn Your Movie Star Name" quiz making the rounds on social media. It might seem innocuous — maybe taking the form of a list of questions telling about the street where you grew up, or your first pet's name, or something where you answer by combining your mother's maiden name with first three letters of your middle name. And that might not seem like a big deal.

But to a hacker, sharing such answers can be like handing them the keys to your account logins. A lot of times all those hackers need to do is request a "password reset" on your account, which will generate a security request from the account in question that asks, "What was your mother's maiden name?" Or maybe "What was the name of your first pet?" Hackers can read your responses to such online games and perhaps use those answers to break into your private financial accounts. That's a high price to pay for a moment of social-media fun.

It's a new world, so it bears reminding: Be careful about how you share your personal information. Even the best data-security system in the world cannot protect information that's given away freely, without so much as a second thought.

Have questions about Hot Topics in investing? Call your Regency advisor at (559) 438-2640.