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The S&P rose modestly in the 3rd quarter but it was enough to hold on to the best year-to-date performance for the S&P 500 since 1997. We are very hopeful, and relatively confident that the year will end well. We hope to eventually see a China trade deal and we do not expect to see a recession for quite some time. Volatility is back, but no more so than historical averages. It is normal in the market for stocks to go up and down.

Bond yields are low. While that hurts savers, it is good for businesses and the stock market. As always, a diversified portfolio makes sense.

Just a reminder. We do not typically contact our clients to discuss the markets or their portfolios. However, please know that we are always most pleased to receive your calls and to discuss your portfolio or any other financial issue. As discretionary fee-only investment portfolio managers our mandate is to act and implement the investment of your portfolio as directed by the constraints outlined by you, the client. Stockbrokers, who work on commission have a different mandate, regularly contact clients to "broker" or "sell" investments or investment strategies as required by their regulatory body. Since we are "fiduciaries" and act on our client's behalf, without conflict of interest, we implement trades when we deem it in your best interest. Our regulatory body, the SEC (Securities & Exchange Commission), regulates how we perform our duties as fiduciaries. Brokers (Merrill Lynch, Edward Jones, etc.) are regulated by FINRA and they are not considered fiduciaries. They are required to "sell" or "broker" their ideas, which is why they call the client.

As you saw in our recent letter, we have decided to make a significant contribution to the Salvation Army and we will no longer be doing our annual barbeque. We will miss seeing you, but you are of course always welcome here in the office. We will have a Salvation Army Kettle which we sponsor and we will be ringing the bell as well as serving at their central facility. Several clients have volunteered to help ring the bell and we would certainly welcome you as well. We will have more details the closer we get to Thanksgiving.

We would like to thank our clients who have kindly commented on our decision to contribute to and sponsor the Salvation Army. We are humbled by the kind words of many of you who have taken the time to communicate your thoughts.

Thank you to all of you who have signed and returned the management agreement we recently revised. We have received the vast majority back, but there are still a few agreements which we have not yet received. We will resend the agreements soon in the event the forms were inadvertently discarded. Also, please find enclosed our annual privacy notice for your review.

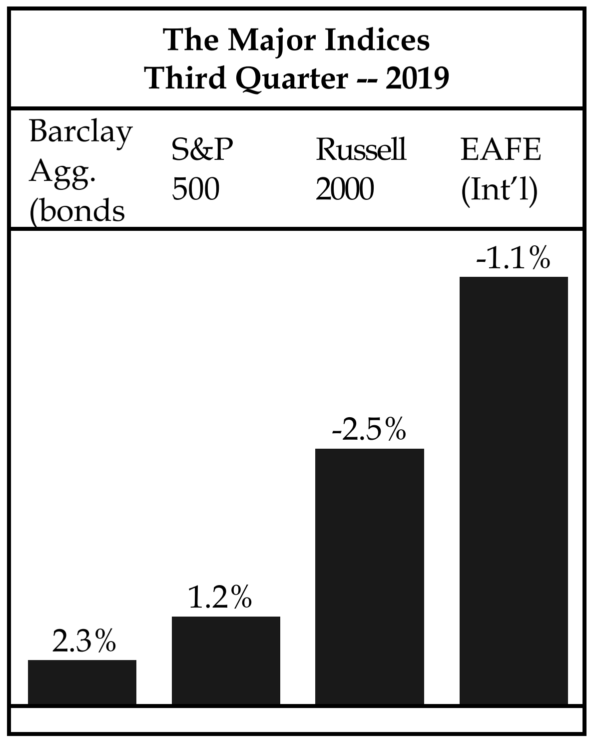
If you wish to receive checks regularly or even just occasionally, most clients find it easier to do so by setting up bank instructions. You may already have done this but if not, you can implement the process as follows:

Request the "Fidelity Bank Instructions Form" from us, sign, and return with an attached voided check for the checking account in which you wish deposits to be made. Whenever you require funds you simply call us and tell us the amount. Quickly and directly (often within just a few days), the funds will show up in your bank account. There is no cost for this direct deposit service and it saves time. No waiting or worrying about the mail or FedEx.

We have been working on our website. We are also considering an app, and will let you know if we go that route in the future. Meanwhile, most of your needs can be taken care of by using our web page, even from your mobile phone. If you save www.wcamg.com as a favorite on your computer and phone, then when you pull us up the "Fidelity" icon will be there. Simply click it to go directly to Fidelity's website to enable you to view your account. We have the capacity to provide that data with our software but they have some of the very best security in the U.S., having spent billions of dollars in an ongoing effort to stay ahead of the darker side of the web. Please call us if you have any questions, problems or issues accessing your information. We are pleased to assist. You can also call Fidelity tech support 24/7 at 800-343-3548.

Market Review and Forecast. After setting an all-time record July 26 when the S&P 500 was up 21% this year, continuing trade tension with China and slowing global growth were the major reasons the S&P 500 fell 2% from that high by quarter-end.

As a result, stock market gains for the third quarter were mixed. The S&P 500 gained 1.2% but three other stock indices all suffered small third-quarter losses. Small company stocks fell 2.5% and international stocks lost 1.1%.



The trade showdown with China continues to affect stock market results. For example, when it was announced September 20 that the Chinese Vice-Minister of Trade and his delegation had cancelled their visit to Montana – presumably to announce increased buying of U.S. farm products – the Dow fell nearly 300 points from its mid-day high.

Conversely, when it was revealed last Monday that the Chinese would come to Washington October 14 – 15 to resume trade talks, the Dow gained 0.5% that day. (U.S. – Chinese trade tumbled 14% for the first 8 months of 2019 compared to the same period for 2018.)

Economies worldwide are certainly now growing more slowly than 2018. After 2.9% U.S. GDP growth last year, 3.1% for this year's first quarter and 2.0% for 2019's second quarter, Vanguard is predicting an average of only 1.7% for this year's last two quarters.

Forecasts for Eurozone growth this year are even lower. They average below 1% -- a miniscule 0.8% for 2019. Germany, Europe's largest and most important economy, grew only 0.4% for the 12 months ending June 30 after a -0.3% decline for the second quarter. If the Germans report a third-quarter downturn later this month, then its economy will officially be in recession. (The accepted definition of a recession is two negative quarters in a row.)

Given the slowing global economy and that the U.S. is now setting an all-time record (currently 10 years, 3 months) without a recession, predictions for a coming downturn are becoming much more numerous. A Stanford University survey last month of 225 Chief Financial Officers revealed their most negative assessment of the U.S. economy in three years – 53% believe there will be a recession by 2021.

We tend to discount recession predictions but do agree with Vanguard's outlook issued last month that argued: "The risk of a global or a major regional recession is not Vanguard's base case, but it is more elevated than usual."

Let's take a brief look at the history of recessions. For the last 90 years (1929 -2019) there have been 14 recessions (1929 -32 is called a depression, stocks fell 89% from their high), an average of one every 6½ years. However, there were 11 recessions from 1929-1982, approximately one every 5 years.

Since 1983 we've had only 3 recessions – one every 12 years. However, 2001 – 02 and the 2007 - 09 recessions were the two worst ones since the 1930s, causing the stock market to plunge 49% and 56%, respectively.

It's difficult to foresee a recession given strong consumer spending, which is almost 70% of the economy. Predictions for 2019 holiday sales are 4.5 – 5% higher than last year, double 2018's 2.5% rise. However, the Confidence Board's Consumer Confidence fell from 134 in August to 125 in September, nearly a 7% decline. (The neutral number is 100. The all-time record is 142 in 1999; a recession began April, 2001. One economist claimed that the weak September confidence number is "a worrying sign that consumer spending, the key bastion of strength of the U.S. economy in recent months, may not be immune to a trade war."

It is clear that both economic and political uncertainty are worries impacting economic growth. In his September 29 column in the Winston-Salem Journal: "Uncertainty Policy Has Economic Cost," John Hood contends, "When people can't predict with at least some degree of confidence what economic policies their government will follow, they often delay consequential decisions and often park their money in safe, lower yielding investments."

A clear headwind for the stock market is the worldwide manufacturing slowdown. China's industrial expansion is the lowest in 30 years and Germany's industrial expectations outlook is the worst since 2009. Here at home, the ISM Manufacturing Purchase Mangers Index, reported October 1, declined 22% from 61 last December to

47.8 in September (50 is neutral). The number for new export orders was only 41. Both readings were the lowest since 2009, causing the Dow to go down 343 points, a little more than 1%.

It is a bit surprising that the stock market has held up as well as it has. Maybe it's logical given the lowest unemployment rate in 50 years, far more advertised job openings than the number of people unemployed, improving real estate sales, solid new car purchases, and low interest rates and energy prices.

Fourth quarters are typically the best for U.S. stocks, averaging 4.7% for the last 25 years. If a trade agreement is reached with China, fourth quarter returns could double that average.

Bear markets declining 20% or more typically result from recessions. Despite slowing growth worldwide and here in the U.S., we think a recession before 2022 is unlikely. Peter Lynch, the best mutual fund manager who averaged 29% a year at Fidelity Magellan from 1977 – 1990, once advised: "The key to making money in stocks is not to get scared out of them."

Interest Rates. The Fed's response to economic uncertainty and to make a recession less likely was to lower interest rates twice last quarter – one quarter of one percent in both July and September. President Trump and others wanted deeper cuts, but the Fed opted for a more gradual approach.

Lower interest rates are good for the economy and should help avoid a recession. On August 15, for the first time ever, the 30-year U.S. Treasury Bond yield fell below 2%; it finished the quarter at 2.12%. Bond prices rally when interest rates drop – the Barclay's Aggregate bond index was up 2.3% for the quarter.

The tactical moves we made earlier this year have enhanced the performance of the bond portfolio. We were able to do this by taking advantage of the volatility that has recently existed in the bond market.

Currently our bond portfolio is high quality and shorter in duration, which in the bond world makes for a safer bond portfolio. Yes, the bond market has some risk and volatility too. Bonds are generally less risky and less volatile than stocks and are considered the safer part of one's portfolio.

Many investors believe bonds are "as safe as CDs" (certificates of deposits) at the bank. Not so. Like the stock market, some bonds are low risk and some bonds are high risk. The old rule of thumb, "risk equals return" is applicable here and can be illustrated by reviewing the average annual returns of the stock and bond markets over the past 90+ years. Over that timeframe the stock market has an average annual return of approximately 10% while the bond market has an average annual return of approximately 3.5%. The higher the risk taken, the better the potential return, but with added volatility. The lower the risk, then the opposite applies, which is lower return and muted volatility. The primary factors that go into determining bond risk and volatility are the credit rating of company issuing the bond and the duration of that bond.

Most investors add fixed income to their portfolio in order to mitigate the greater volatility and risk that comes from being exposed to stocks as well as enhance their downside protection. The more cautious investor has a larger allocation to bonds while a more aggressive investor has less fixed income. Investor time horizon and personal risk tolerance generally dictates one's allocation to stocks and bonds. Of course, this can change over time and one of our jobs at Woodard & Company is to help clients determine the appropriate allocation according to their individual needs and circumstances.

If you have any other questions about your account or any concerns, please give us a call at 336-998-7000. We always enjoy talking with our clients.