Condor Capital Reviews 2nd Quarter 2019

Condor Capital
1973 Washington Valley Rd
Martinsville, NJ 08836
(p) 732-356-7323
(f) 732-356-5875
info@condorcapital.com

Domestic equities continued to march higher, with the S&P 500 Index gaining 4.30% in the quarter. Financials finished the period as the top-performing sector, while energy was the only sector to post negative performance. Growth continued to outperform value and mid-caps beat out large- and small-caps.

Internationally, trade tensions remain a significant factor. Latin America performed well on apparent progress towards the ratification of the USMCA, while China underperformed amid continuing uncertainty over tariffs. Britain underperformed much of Europe as political developments implied a harder Brexit than previously expected.

A pivot by the Federal Reserve moving towards a potential rate cut sent yields lower, pushing existing bond prices up across the board. Amid this backdrop, corporate, longer-term and investment-grade bonds tended to outperform.

June 2019

The U.S. stock market continued to churn higher in the second quarter of 2019, with the S&P 500 Index gaining another 4.30%. While this was less explosive than the first quarter's return of 13.65%, when markets rebounded strongly following a December selloff, the combined performance marks the best first half of a year for the domestic market since 1997. Many of the trends from the first quarter continued into the current period, as mid-cap names added to their outperformance and growth once again outperformed value. Nearly all sectors posted gains for the quarter, with financials, materials, and technology leading the way. Energy, though still positive on the year, was the only sector in the red as U.S. output continued to bolster global fuel supplies and slower international growth capped demand.

Monetary policy was a key focal point in the quarter thanks to growing expectations that the Federal Reserve would consider cutting interest rates. Lower interest rates make for easier monetary conditions and tend to increase investors' appetites for riskier assets. As a result, the market was put in a unique position of rallying on both strong economic data, as the domestic market benefits from a robust underlying economy, and weak data, as any slowdown in the economy increases the likelihood that the Fed would undertake a rate cut beneficial to risk-on assets like stocks.

International equities, broadly speaking, slightly underperformed their U.S. counterparts during the second quarter, though returns were predominately positive across both developed and emerging markets. Latin American equities led the way amid optimism over the outlook for the USMCA and a relative lack of political unrest outside of the minimally influential Venezuelan economy, while China lagged as it struggled to shake the long-running trade dispute with the U.S. Among developed markets, U.K. equities lagged the rest of Europe as continued uncertainty over a possible no-deal Brexit was further exacerbated by the announcement of Prime Minister Theresa May's resignation. Overall, rhetoric coming out of global central banks took a more dovish stance during the quarter as global uncertainties and protectionist agendas persisted.

With a more dovish Federal Reserve hinting at a potential interest rate cut, fixed income markets posted relatively robust returns for the quarter. Declining yields across all maturities played a major role in the positive quarterly performance. Longer-dated bonds continued to lead their shorter-maturity counterparts during this time, with investment-grade issues largely faring better than high-yield offerings. Municipal bonds underperformed their corporate counterparts, though minimal dispersion down the credit scale existed compared to corporates.

Outlook – As the country's longest-ever economic expansion ticks on, we at Condor continue to emphasize that bull markets and economic expansions do not simply die of old age. In fact, we would point out that there is still significant economic strength underlying the market. Real GDP growth touched 3% in the first quarter of 2019 (there is a lag, so first quarter data was reported in June), the third quarter out of the last four where it has done so. While these numbers are expected to moderate heading into 2020 and beyond, they still hold up very favorably when compared to other developed economies such as Europe and Japan. This signals that the domestic market remains in position to continue to see capital inflows as investors reward the U.S. for its growth relative to its global counterparts. As for the labor market in the quarter, unemployment was persistently low at 3.7%, the economy added over 500,000 new jobs, and wages ticked steadily higher each month, showing that the consumer base is still robust and capable of driving continued discretionary spending moving forward.

Equally important, corporate earnings growth, which has fallen since hitting a high point in 2018, is expected to pick back up moving forward. According to data compiled by FactSet, the analyst consensus is that the corporate earnings growth rate will gradually ramp up in the coming quarters, hitting double-digits by the first half of 2020. Considering that markets have moved to all-time highs regardless of the earnings slowdown, a return to significant growth should be a noteworthy positive catalyst moving forward.

This is not to say that risks do not exist. Europe is slowing as the key German economy flirts with negative GDP growth and political developments in Britain threaten a harder-than-expected Brexit. Meanwhile, an inverted yield curve underlies a good deal of caution in the bond market domestically. Amid a steady stream of criticism from President Trump, the Federal Reserve has become yet another focal point moving forward. While a rate cut by the central bank would be cheered by equity markets, a refusal by the Fed to lower rates could fly in the face of investor expectations and act as a headwind to the U.S. market. We do not underestimate these risks and will continue to monitor them closely and adjust our positioning as needed. For example, we have reduced the exposure to European equities in our clients' portfolios this year to get out in front of the issues facing the region and have taken steps to lessen credit risk in our fixed income sleeve by paring back our overweight allocation to high-yield debt.

As always, the way to invest successfully across market cycles is not to panic sell or make an all-in call on a supposedly imminent recession or expansion, but to set an appropriate asset allocation of stocks and bonds for your risk tolerance and to stick to it. Doing so will keep your portfolio diversified and prepared for whatever happens tomorrow and, more importantly, keep you on track over the long term.

See disclaimer on final page

Procrastination is a very common problem that can get us all into trouble, but understanding how to overcome it can be liberating. Read on for some helpful information and tips.

Why Not Do It Now? New Research on Procrastination

Do you have a tendency to push off important tasks? Do you do things at the last minute, or maybe not do them at all? If so, you're not alone. About one in five adults is a chronic procrastinator.

Procrastination can be frustrating in the short term for even the simplest tasks. But it can have far-reaching effects on important activities and decisions such as completing work projects, obtaining medical treatment, and saving for retirement. Recent research offers insights that may be helpful if you or someone you know has a tendency to procrastinate.

Blame the brain

A study using brain scans found that the amygdala, the almond-shaped structure in the temporal lobe of the brain that processes emotions (including fear), was larger in chronic procrastinators, and there were weaker connections between the amygdala and a part of the brain called the dorsal anterior cingulate cortex (DACC). The amygdala warns of potential dangers, and the DACC processes information from the amygdala and decides what action a body will take.

According to the researchers, procrastinators may feel more anxiety about the potential negative effects of an action and be less able to filter out interfering emotions and distractions. The good news is that it is possible to shrink the amygdala and improve brain connectivity through mindfulness meditation exercises.

What's important to you?

Another recent study found that people were less likely to procrastinate about tasks that they personally considered important and were within their own control, as opposed to tasks that were assigned to them and/or controlled by others. This is probably not surprising, but it suggests that procrastination may not be a "weakness" but rather a result of personal values and choices.

Tips for procrastinators

Here are a few suggestions that may help overcome a tendency to procrastinate.

Consider the triggers. One researcher found that people are more likely to procrastinate if a task is characterized by one or more of these seven triggers: boring, frustrating, difficult, ambiguous, unstructured, not intrinsically rewarding, or lacking in personal meaning. You might try to identify the triggers that are holding you back and take steps to address those specific problems. For example, if a task seems too difficult, ambiguous, or unstructured, you could break it down into smaller, more definite, and manageable tasks.

Meet your resistance. If you don't want to work on a task for an hour, determine how long you are willing to work on it. Can you work on it for 30 minutes? What about 15? If you don't want to do it today, what day would be better?

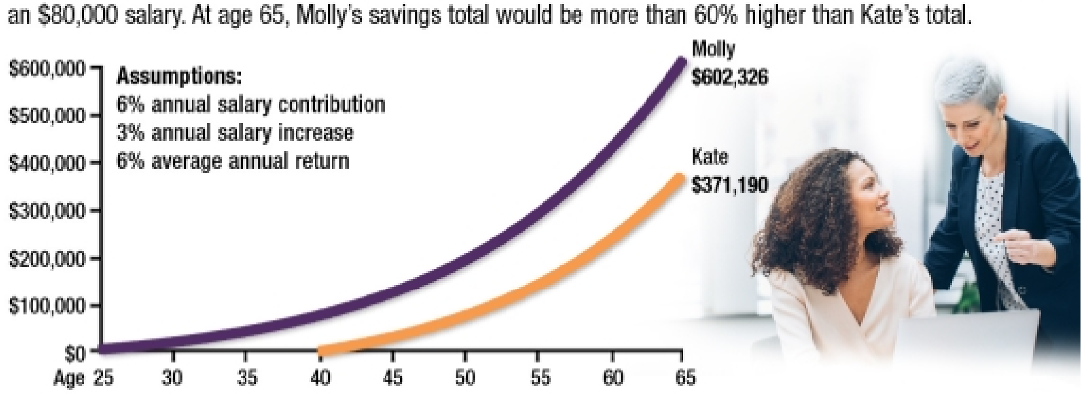
List the costs and benefits. For big projects, such as saving for retirement, make a list of all the negative ways not making progress could affect your life and all the positive outcomes if you were to achieve your objectives. Imagine yourself succeeding.

Take the plunge. Although a big project may seem daunting, getting a start — any start — could reduce the anxiety. This might be just a small first step: a list, a phone call, an email, or some Internet research. For a written project, you might start with a rough draft, knowing you can polish and improve it later.

Forgive yourself. If you've postponed a task, don't waste time feeling guilty. In most cases, "better late than never" really does apply!

Advantage of an Early Start

Molly begins saving at age 25 when she earns a $40,000 salary, and Kate begins at age 40 when she earns an $80,000 salary. At age 65, Molly's savings total would be more than 60% higher than Kate's total.



A recent Pew study shows that loneliness may not just have to do with friends, family, & community, but may actually have a financial component as well. Here's what the study found.

Are your earnings not subject to tax withholding? You may be required to pay estimated taxes instead. Here is a quick and easy guide to this less commonly used tax payment method.

How Loneliness Can Affect Your Financial Condition

According to a Pew Research Center survey, one in 10 Americans reports feeling lonely or isolated from others all or most of the time. While this number may not sound significant, it is alarming, considering that loneliness can also take a toll on your financial situation.

A link between loneliness and dissatisfaction

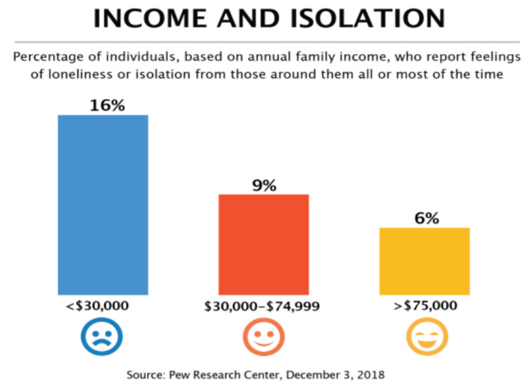
The Pew survey found that frequent loneliness is linked to dissatisfaction with one's family, social, and community life. People who say they are somewhat or very dissatisfied with their personal financial situations are significantly more likely to feel frequent loneliness than those who are satisfied with their finances (17% vs. 5%). And 14% of people who say they don't have enough income to lead the kind of life they want report feeling lonely or isolated often, compared with just 5% of individuals who have enough income to lead their ideal lives.

A relationship to finances

Although the Pew survey did not draw any specific conclusions, it indicated a link between loneliness and satisfaction with one's financial situation, suggesting how frequent loneliness can lead to financial problems.

Specifically, loneliness can cause a lack of awareness about major financial issues, as well as an increased vulnerability to fraud. Lonely people have fewer opportunities to discuss finances with others face-to-face. This makes it easier for scam artists to take advantage of them by faking emotional support while stealing money.

Research has also linked loneliness and worsening chronic conditions. One study found that social isolation is associated with an estimated $6.7 billion in additional federal Medicare spending annually. As social isolation increases, chronic illnesses can grow more severe and result in higher medical bills and stress levels. This can have a harsher impact on those trying to cope alone.



A little less lonely

Fortunately, there are ways to fight against loneliness and its effect on your financial condition. Start by expanding your social circle. Seek volunteer opportunities that will introduce you to new people as well as help you give back to your community. Establish routines that will keep you busy and develop healthy habits that don't cost money, such as spending time outdoors, joining a weekly group, reading, and meditating. Consider seeking guidance from a medical professional who may be able to connect you with local resources to integrate more social engagement into your life.

Do I need to pay estimated tax?

Taxpayers are required to pay most of their tax obligation during the year by having tax withheld from their paychecks or pension payments, or by making estimated tax payments. Estimated tax is the primary method used to pay tax on income that isn't subject to withholding. This typically includes income from self-employment, interest, dividends, and gain from the sale of assets. Estimated tax is used to pay both income tax and self-employment tax, as well as other taxes reported on your income tax return.

Generally, you must pay federal estimated tax for the current year if: (1) you expect to owe at least $1,000 in tax for the current year, and (2) you expect your tax withholding and refundable tax credits to be less than the smaller of (a) 90% of the tax on your tax return for the current year, or (b) 100% of the tax on your tax return for the previous year (your tax return for the previous year must cover 12 months).

There are special rules for farmers, fishermen, and certain high-income taxpayers. If at least two-thirds of your gross income is from farming or fishing, you can substitute 66-2/3% for 90% in general rule (2)(a) above. If your adjusted gross income for the previous year was more than $150,000 ($75,000 if you were married and filed a separate return for that year), you must substitute 110% for 100% in general rule (2)(b) above.

If all of your income is subject to withholding, you probably don't need to pay estimated tax. If you have taxes withheld by an employer, you may be able to avoid having to make estimated tax payments, even on your nonwage income, by increasing the amount withheld from your paycheck.

You can use Form 1040-ES and its worksheets to figure your estimated tax. They can help you determine the amount you should pay for the year through withholding and estimated tax payments to avoid paying a penalty. The year is divided into four payment periods. After you have determined your total estimated tax for the year, you then determine how much you should pay by the due date of each payment period to avoid a penalty for that period. If you don't pay enough during any payment period, you may owe a penalty even if you are due a refund when you file your tax return.

Withholding and estimated tax payments may also be required for state and local taxes.

Condor Capital
1973 Washington Valley Rd
Martinsville, NJ 08836
(p) 732-356-7323
(f) 732-356-5875
info@condorcapital.com

As a business owner, what should I know before adding a financial wellness program?

Financial wellness programs are gaining traction among employee benefit offerings, and for good reason: In an International Foundation of Employee Benefit Plans (IFEBP) survey, 96% of employers said employees' personal financial issues had an impact on their overall job performance. If you're thinking of adding a financial wellness program to your benefits lineup, consider the following points.

Understand what "financial wellness" is. In 2014, the Consumer Financial Protection Bureau (CFPB) conducted a study to help measure the effectiveness of financial literacy programs. As part of their initial work, researchers sought to define financial well-being. After conducting nearly 60 hours of open-ended interviews with consumers, study authors concluded that financial well-being is achieved when people (1) are able to control day-to-day and month-to-month finances, (2) have the capacity to absorb a financial shock, (3) are on track to meet their financial goals, and (4) have the financial freedom to make choices that allow them to enjoy life.

Assess employee concerns. The IFEBP also found that 40% of employers report an increased demand for financial education. Toward this end, Prosperity Now, a nonprofit organization dedicated to helping all Americans prosper, recommends that employers conduct a needs assessment to determine the most pressing financial concerns of their workforces. While the IFEBP said the top three most popular financial topics covered through such plans are retirement benefits, pre-retirement planning, and budgeting, a workforce composed of relatively young employees may be more concerned with repaying student loans and saving for a down payment on a first home. To position your financial wellness program for success, be sure it's designed to tackle challenges that are specific to your primary employee demographic.

Determine how you will measure your success. Prosperity Now recommends considering the following metrics: participation rates; financial well-being as measured by the CFPB's Financial Well-Being Scale; employee retention, satisfaction with employer, morale, and stress levels; and company cost savings.

Have you checked your tax withholding lately?

If you were unpleasantly surprised by the amount of tax you owed or the amount of your tax refund when you filed your 2018 tax return, it may be time to check your withholding.

It may also be time if there are changes in your life or financial situation that affect your tax liability. For example, have you recently married, divorced, had a child, purchased a new home, changed jobs, or had a change in the amount of your taxable income not subject to withholding (e.g., capital gains)?

You can generally change the amount of federal tax you have withheld from your paycheck by giving a new Form W-4 to your employer. You can use a number of worksheets for the Form W-4 or the IRS Withholding Calculator (available at irs.gov) to help you plan your tax withholding strategy.

If changes reduce the number of allowances you are permitted to claim or your marital status changes from married to single, you must give your employer a new Form W-4 within 10 days. You can generally submit a new Form W-4 whenever you wish to change your withholding allowances for any other reason.

In general, you can claim various withholding allowances on the Form W-4 based on your tax filing status and the tax credits, itemized deductions (or any additional standard deduction for age or blindness), and adjustments to income that you expect to claim. You might increase the tax withheld or claim fewer allowances if you have a large amount of nonwage income. (If you have a significant amount of nonwage income, you might also consider making estimated tax payments using IRS Form 1040-ES.) The amount withheld can also be adjusted to reflect that you have more than one job at a time and whether you and your spouse both work. You might reduce the amount of tax withheld by increasing the amount of allowances you claim (to the extent permissible) on the Form W-4.

You can claim exemption from withholding for the current year if: (1) for the prior year, you were entitled to a refund of all federal income tax withheld because you had no tax liability; and (2) for the current year, you expect a refund of all federal income tax withheld because you expect to have no tax liability.