PINNACOR FINANCIAL GROUP, INC.®

*Solutions Centered Wealth Management*

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## THE MARKETS

Global equities rose on the week. The yield on the U.S. 10-year Treasury note declined 3 basis points to 3.01% while the price of a barrel of West Texas Intermediate crude oil ended at $50.72. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), declined to 18.1 from 21.6 a week ago.

| Returns through 11/30/18 | 1 Week | YTD | 1-Year | 3-Year | 5-Year |
|---|---|---|---|---|---|
| Dow Jones Industrials | 5.32 | 5.59 | 7.62 | 15.78 | 12.39 |
| NASDAQ Composite | 5.64 | 6.19 | 6.64 | 12.79 | 12.54 |
| Russell 2000 | 3.04 | 0.98 | 0.57 | 10.08 | 7.50 |
| S & P 500 | 4.91 | 5.11 | 6.27 | 12.16 | 11.12 |
| MSCI EAFE NR USD | 0.97 | - 9.39 | - 7.94 | 4.12 | 1.84 |

Source: Morningstar.com. * Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three and five-yea9r returns are annualized. The S&P, excluding "1 Week" return is a reflection of return to an investor, by reinvesting dividends after the deduction of withholding tax.

**No bank failures last week** – According to information available on the FDIC website, no banks failed last week. The FDIC website lists no bank failures thus far in 2018. There were 8 bank failures in 2018, 5 in 2016, 5 in 2015, 18 in 2014, 24 in 2013, 53 in 2012, 90 in 2011, 157 in 2010, 140 in 2009, 26 in 2008, 3 in 2007, zero in 2006 and 2005.

**Market anticipates impactful G20 meeting** – Leaders of the world's major economies gathered last week in Buenos Aires for their annual summit.

However, two meetings on the sidelines of the event dominated news coverage. China and the United States agreed to a ceasefire in their bitter trade war on Saturday after high-stakes talks in Argentina between U.S. President Donald Trump and Chinese President Xi Jinping, including no escalated tariffs on Jan. 1. Trump will leave tariffs on $200 billion worth of Chinese imports at 10 percent at the beginning of the new year, agreeing to not raise them to 25 percent "at this time", the White House said in a statement. "China will agree to purchase a not yet agreed upon, but very substantial, amount of agricultural, energy, industrial, and other product from the United States to reduce the trade imbalance between our two countries," the statement also stated. China agreed to start purchasing agricultural product from U.S. farmers immediately. The two leaders also agreed to immediately start talks on structural changes with respect to forced technology transfers, intellectual property protection, non-tariff barriers, cyber intrusions and cyber theft, services and agriculture, the White House said. Both countries agreed they will try to have this "transaction" completed within the next 90 days, but if this does not happen then the 10 percent tariffs will be raised to 25 percent, it added.

The second high-profile meeting was be among OPEC members and other oil producers such as Russia. Russia signaled it won't help Saudi Arabia prop up oil prices, joining some OPEC members that have said the world's top oil exporter should carry most of the burden.

One meeting that did not take place was the one previously scheduled between Russian president Vladimir Putin and President Trump. Trump canceled the meeting in reaction to Russia's seizure of three Ukrainian warships and their crews.

**Fed muddies water on rate hike timing** – The U.S. Federal Reserve has seemingly been on autopilot for the past two years, raising rates on a quarterly basis except in September 2017, when it announced plans to shrink the balance sheet. But minutes of the November meeting of the Federal Open Market Committee released last week indicated the Fed might switch off the cruise control after another rate hike in December. Some FOMC members expressed uncertainty over the timing of additional hikes while a few pointed to slowing global growth, the effects of trade policies and U.S. dollar strength as downside risks. Markets have begun to price in fewer rate hikes, with only two additional hikes fully anticipated at present, well below the Fed's current median forecast for five more. Earlier last week markets were boosted by comments from Fed chairman Jerome Powell, who said rates are approaching a range the central bank judges to be neutral for the economy, which investors interpreted as a sign that the tightening cycle may be nearing an end in the next few quarters.

**Oil drops below $50 a barrel** – U.S. benchmark West Texas Intermediate crude oil prices fell below $50 a barrel last week despite talk of a significant production cut from OPEC plus Russia. Falling oil prices were once a tailwind for the U.S. economy but now that the country is the world's largest producer, falling prices cut both ways. Big swings in capital expenditures in reaction to the price of oil can impact the overall U.S. economy. Oil production's geographic concentration can also have a significant impact on state and local economies.

**More signs of weakness in global growth** – Among the gathering signs of weakening global growth last week was China's official manufacturing PMI (Purchasing Managers' Index) dropping to 50 in November, a 28-month low. Meanwhile, eurozone economic confidence fell for an 11th-straight month, to the lowest level since May 2017, while two countries that are not members of the eurozone, Switzerland and Sweden, reported small contractions in growth in Q3. In contrast, U.S. Q3 gross domestic product growth was unrevised at a 3.5% annual pace.

**Brexit deal to be put to a vote in UK Parliament** – The European Union signed off on the Brexit agreement with the United Kingdom last Sunday and now the deal faces ratification by the British Parliament on December 11. If lawmakers do not ratify the pact, the odds of a disorderly Brexit process will increase significantly. An analysis released by the Bank of England projects that in the case of an untidy Brexit, the UK economy will contract by 8% in the immediate aftermath. The central bank foresees a nearly 33% decline in house prices, a 48% dive in commercial real estate values and a 25% slump in the value of the pound.

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**The week ahead**

- Reserve Bank of Australia interest rate decision Tuesday, December 4.
- Global service-sector purchasing managers indices reported Wednesday, December 5.
- Bank of Canada interest rate decision Wednesday, December 5.
- U.S. Federal Reserve Beige Book released Wednesday, December 5.
- Eurozone gross domestic product reported Friday, December 7
- U.S. employment report released Friday, December 7.

## WEEKLY FOCUS

**Three ways Social Security will change in 2019.** Retirees will see the largest increase in their Social Security benefits in seven years come January. But the higher cost-of-living adjustment is not the only way the system will change in 2019.

Other changes that will take effect in 2019 include:

**Full retirement age will continue to climb**
What the Social Security Administration (SSA) calls “full retirement age” or “normal retirement age” is the age at which you become eligible to receive your full Social Security retirement benefit, as opposed to a reduced amount.

You can generally claim benefits once you reach age 62, but full retirement age is at least 65, depending on when you were born.

For Americans born in 1957 — meaning they will turn 62 in 2019 — full retirement age will increase to 66 years and 6 months. That is two months later than it was for folks who turned 62 in 2018.

If you are unsure of your full retirement age, use SSA’s retirement age calculator.

**The earnings limit for working retirees will increase**
If you claim Social Security retirement benefits before reaching full retirement age and also are still working, SSA can withhold some of your benefits. That action depends on whether you earn more than a certain amount.

For 2019, that amount will increase:

- From $17,040 to $17,640 if you will reach full retirement age *after* 2019
- From $45,360 to $46,920 if you will reach full retirement age *in* 2019

**The tax cap on workers’ income will increase**
The maximum amount of a worker’s income that is subject to Social Security payroll taxes will rise from $128,400 to $132,900. So, if you’re fortunate enough to earn more than $132,900, you won’t owe Social Security taxes on every last dollar you earn. The payroll tax rate for workers will remain the same in the new year: 6.2 percent from employees and 12.4 percent from the self-employed.

Give us a call to discuss your personal retirement goals.