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OK, everybody. Thanks for listening to our 2019 Fourth Quarter Market Update and Client Call. On today's call, T.H. is going to start things off by giving us an update on the current market and the economic environment. I'm going to touch base on our risk indicators, our current portfolio positioning. And then we'll wrap up with some important information regarding planning by Megan.

Let's get some of the important stuff out of the way here. Let everybody know that the opinions expressed on today's call reflect the judgment of me-- Mick Pepper-- T.H. Williams and Megan McGuire as of November 20, 2019, and they're subject to change without notice.

And today's call is really intended for informational purposes only. It is not a solicitation or an offer to buy any security or instrument, or to participate in a trading strategy. And, of course, past performance is no guarantee of future results. So with all of that out of the way, let's kick things off with T.H. Williams, our Managing Director at Wells Fargo Advisors.

Thank you, Nick. And thank you all for listening in. I want to start out by kind of reiterating our thesis from our fourth quarter newsletter in that we kind of discussed how we don't see any kind of a recession in the next 12 months. Now, when we say that, that doesn't necessarily mean that we are recession yes, recession no. It's more that the probabilities of recession are lower than the probabilities of having no recession.

Economic fundamentals remain intact and strong. Interest rates are accommodative. Inflation is not too high-- in fact, it's still a little bit low. Unemployment is going the right direction. And from what we've seen from our earnings this season, they've actually come in and surprised a little bit to the upside. So things still look good. We still maintain that the economy will most likely slow next year, but that is not a recession case at this point.

There are some risk factors. And we still maintain that those risks factors are mainly exogenous events. So trade, global slowdown, global interest rate policy, global debt, flare-ups with Iran, concerns with China. All those going in the wrong direction could certainly change our thesis. But right now, things look pretty good. They're not overly exciting, but they're not bad. And we've seen this reflected in the markets.

So with that said, I'm going to go a little bit off-script. Because whenever we give this outlook and say that things don't look bad, a lot of clients and friends-- and just even over cocktail parties, a lot of times people will say, OK, well, what about impeachment? And we're not here today to take a position on impeachment. But we do want to take a position on how the impeachment proceedings are affecting the overall markets and the economy.

And contrary to popular belief, the answer is that they're really not. The markets move mainly on fundamentals and economic events, not on things like political events. Now, that may change in the future. But right now, the impeachment proceedings are a non-economic event. They are highly partisan, they are highly polarized, and they are a highly political process.

And, of course, they're all over the news-- so most people would draw the conclusion that impeachment has to affect the markets. But they really are not whatsoever. And we've seen this in that the markets continue to improve-- we've hit all-time highs. And that's really not because the impeachment hearings are really supporting any one side. It's not that because we're looking at impeachment of the president that the markets are going up, nor is it that the president's policies are making the markets go up.

It's really the fact that the markets and the economy are largely ignoring that. And that's, again, just back to the fact that you've got to remember that markets and the economy move on fundamentals-- monetary policy, fiscal policy, regulatory and deregulatory policy and, of course, earnings. And all those are being pretty accommodative right now.

And, in fact, I would even go one step a little bit further and say that the impeachment proceedings can have somewhat of a supportive, or even slightly bullish effect, for the markets. And it's sad why that's that way-- and that's mainly because what markets don't like, and what businesses don't like, is rapid change in policy. Fiscal policy, trade policy, things like that.

And with our government primarily focused on the impeachment proceedings, unfortunately, we're not seeing the people's work get done. So that's kind of a sad commentary, and I don't think it's good for the long-term health of the US. But at the same time, because of that, corporation's earnings, all those things-- companies are able to plan, and act, and grow mainly on their internal drivers and not really have to react to quick changes in regulation or tax policy.

So with that said, we still are pretty bullish, at least on the short run-- a little bit more moderate on the long run. But since our newsletter, things have really improved quite a bit. And I'm going to kind of turn it over here to Mick and let him talk a little bit about what we're seeing on the short run, some of the positions that we're taking-- not individual positions, but just kind of the positioning within the portfolios-- and talk a little bit about our risk indicators. So with that, Mick, why don't you take it from here?

Thanks, T.H. So as T.H. mentioned just a second ago, if we could sum things up in one word, it would be offense. We're now on offense. And our indication of offense or defense isn't driven by our hope, or desire, or thought that the market's going to go up, down or sideways. It's really based on risk indicators-- what are the risks of being invested? And those risk indicators help us determine a strategy-- offense or defense.

Currently, that strategy is offense. It's really been that way since the 28th of last month. On that date, our final indicator that kind of gave us that final push into the offense was a reversal in the New York Stock Exchange's bullish percentage. And that bullish percentage, again, is the number of stocks on that exchange that are on a buy signal. That's the number.

And what we look for is a positive movement, an increase, in that number-- or a decrease, if we're going to be on defense and then kind of where it's at. And that's a technical buy signal for us-- as long as it's improving. So currently, that number is 56. So 56% of the stocks on the New York Stock Exchange have given technical buy signals. It reversed up at 48. And so that's an important number for us right there.

If it goes all the way up to 58, it gives us an even more important buy signal. It lets us know that we could be even a little bit more aggressive. More importantly, when we look at that, what are our alerts that might change our mind? What might make us shift that position? So my new watch levels are really at 50%. If that drops down a little bit, that's a little bit more of a cause for concern.

And at 46, if it keeps trending down, we would probably shift to defense at that time. That number is not really that important right now-- the number where it's at-- because it's in the middle of the field. I'll talk a little bit more about that in a minute. But right now, that's where we are.

So what does that mean for the S&P 500? One of our other indicators we were looking at in the newsletter was the S&P 500. And we had a defensive alert-- we cautioned everybody that it would be negative if we broke down below 2860. As of today, we're sitting right around 3100.

So it's done a complete reversal, and it's moved up. In fact, every day, really, if we continue to move up, move up, we can hit new all-time records every single day because we're really at the top of that market. If we look at it from a chart, it's really on a stem. That means that it's gone kind of straight up since that time frame. We could probably expect, it would be normal, to see a reversal on that.

The S&P could pull back a little bit because it's just been sprinting for about three weeks now.

Our new defensive alert-- our new caution area-- would be if it reversed all the way back down and broke 3,000, or 2,900. That would be the technical alert at that time-frame. Is it a little overbought? Yeah. Short-term though, we have the wind in our sails-- we have the sails fully open, the wind at our back, we're moving forward, and we feel pretty good about that.

I want to jump to one more thing here. The Wells Fargo investment Institute updated their equity sector recommendations a couple of days ago. And there weren't any significant changes, but they reiterated some things that I think are important. Number one, information technology-- or the tech sector-- remains the most favorable sector of all of those sectors. They have a most favorable rating, and they're looking to overweight that recommendation.

T.H. and I fully support that. We fully agree. Year to date in the tech sector, it's up an astonishing 42.4% as of the 18th of this month. Financials and consumer discretionary-- so think banks and think Starbucks-- are both favorable as well. We're high on financials and we are overweight in our portfolios on both of those.

They do have two unfavorable recommendations-- communication services and materials. So you used to think of communications services as AT&T, Verizon, communication companies. Now think of a different view of the sector-- Google's in there, Facebook's in there. That's what that sector is.

And, again, these recommendations don't look at past performance. It's a recommendation on how to allocate portfolios moving forward. Ironically, the communications sector is up almost 30% on the year, but they're giving us some negative guidance moving forward.

And energy was our worst performer. So we remain committed to overweighting financials and tech. At the same time, we're really fully invested. We're not over-invested-- what we've done is move above our strategic targets and we're sitting comfortably in that time-frame. So unless we see some more buy signals, as we move towards the end of the year, we want to sit fully invested but we're not going to overheat. We're really not going to be over-aggressive in our shift into equities.

So we may see some activities in the count where we can re-balance, we can sell some laggards, sell some stocks that aren't performing at the level we would expect them to. And then we can still buy some new positions. But as I reference back to the S&P 500 on that overbought portion, it's a little bit extended, I'm not so sure we want to initiate too many new positions as we head into the end of the year.

So with that being said, the strategy is kind of sit-and-hold. We want to make sure that we are looking, now, at the tax implications of accounts as we move towards the end of the year. And we're going to be on high alert, really, for any changes. But we feel pretty good.

So if you have any questions about how that impacts your portfolio, or what we think about the markets in general and how we're shifting changes, we would recommend that everyone just set up a call. Let's sit down, let's look at your portfolio, let's talk about your risk tolerance in that portfolio and what changes that we're looking to make to achieve those goals.

And so now, speaking of goals-- Megan, if you want to take over and talk a little bit about planning because that's kind of where everything here starts. So, Megan, take it away.

Wonderful. Thank you, Mick. So I wanted to share a story. And I've read, and witnessed, and studied the importance of financial planning for years. But I want to share the best story I think that I've come across, and it belongs to a man named Timothy Bowers. Now, disclaimer, Timothy is not a client of ours. In fact, his story was published in the *New York Times* a few years ago. So if you'd like to read more about his situation, I invite you to do so.

But his story began on May 1st of 2007. And Mr. Bowers entered into a bank and handed a teller a stick-up note asking for four $20 bills. On his way out, he stopped at the security guard at the front door and informed the guard that he had just robbed the bank and handed over his $80 in cash.

Now, you might be thinking, OK, why would you do such a thing? But it turns out that Mr. Bowers, when he turned 63, he had lost his job making deliveries and he couldn't make ends meet at minimum wage. He calculated that a three year sentence would give him to the age of 66 and then he could live off of social security.

Now, by doing this, he not only solved his income problem, but he also solved his health care issues all at once. Now, to be perfectly clear, this is not the financial plan that I would recommend for you. It is, however, the most creative story I've heard. So Lewis Carroll once said, if you don't know where you're going, any road is going to get you there. And that's why our team has adopted the Envision tool.

We want to sit down with you and your family and learn, what is important to you? What are your goals? What does your bucket look list look like? And what direction are you headed? Once I have a foundation for what it is that you're trying to accomplish, I have the opportunity to outline what it is and how it's going to take you to get to where you want to be.

Together, we'll review and discuss all sorts of details that can range from college planning to home purchases, future weddings, worldly travel, retirement income and even leaving a legacy to those that you love. It's been proven that those who have planned have been more successful, they worry less, and even report more on life satisfaction.

And in today's environment, there's a lot of items that we can't predict. And so, much to my dismay, I can't predict what is going to happen to the markets. I can't forecast what the next tweet will be. And, unfortunately, my magic 8 ball only answers yes and no questions-- and 50% of the time, it's wrong.

Now, we live in an environment where change is a constant-- and that's where our team comes in. Together, we can not only outline the plan that can help you with social security, filing strategies, college savings, liability management-- we do insurance reviews, and tax-saving strategies, and more.

As financial professionals, we help our clients make better decisions. And on average, we can increase your income by 37.2% in retirement by outlining a strategy that focuses on social security claiming strategies, withdrawal rates, tax efficiencies and asset allocation. And that's the power of our advice. That's the power of planning.

Steve [? Drexler ?] once had a newspaper clipping in his office that stated that your financial advisor stands between you and stupid. We are your voice of reason. And our task is to give you the best advice we have to help you succeed financially. We want to help and support you through all of your life goals and dreams. And, unfortunately, there are times when that may mean that my answer to you buying a multi-million dollar yacht may not be the best idea.

But that does mean that, later, I can say, yes-- support your children's education dream, or retire when you want to because you can. And we can say that because, when we first sat down, that was what you identified as an important goal and dream to you.

We've all heard the famous words of Benjamin Franklin, advising us that by failing to prepare, you are preparing to fail. If we haven't reviewed Envision vision plan lately, I invite you to reach out. Let's revisit that conversation and let's create a plan that sets you up for success. Thank you, guys, for listening to our call. Mick, I'm going to turn it right back over to you.

Thank you, Megan. Great illustration there and great story. So thanks, everybody, for joining our call. As we set forward, we really want to do these calls somewhere in the middle of each quarter. We'll put out our newsletter at the beginning, the call in the middle of the quarter.

But what we really would encourage everyone to do is make sure you set up a time to talk with us. If you have any questions on the economy or the global scale, give T.H. a call. Let's sit down and talk about it. If you want to know about the portfolios, give T.H. or I a call. If you really want to work on your plan, let's set up an appointment and let's get with Megan. So thanks a lot for joining the call. And I hope everyone has a fantastic Thanksgiving. Enjoy the holiday season and, hopefully, we'll be in touch soon.