WHITENER
CAPITAL MANAGEMENT, INC.
Registered Investment Advisors

July 2019

The first half of 2019 is behind us and it has been a good year. There are signs of economic growth slowing but we are still growing. Campaign season is ramping up so we need to be prepared for partisan interpretations of every economic number reported. 2019 has not been as robust as 2018 but more people are working and they are using their paychecks to buy things. This type of economic activity is what keeps everything moving in the correct direction. Equity valuations are up a little but the stock market is still the best place to invest to ensure the buying power of your nest egg in the future.

Valuation Measure	Description	Latest 06/30/2019	25 year average
P/E (forward)	Price to Earnings	16.74	16.19
P/B	Price to Book	3.13	2.94
P/CF	Price to Cash Flow	12.37	10.65
Div./Price	Dividend Yield	2.05	2.11

*Data as of 06/30/2019 - Current price divided by consensus analyst estimates of earnings, book, cash flow, sales and earnings growth for the next 12 months. Data provided by J.P. Morgan Asset Management

Equity

The S&P500 finished 2018 down approximately 5% due to worries over economic growth and the pending trade war. The S&P500 fell 19.78% from its September high to December 24, 2018. To put things in perspective, a bear market is a 20% decline in the markets. I guess that we can argue that there was no bear market in 2018 but we did get very close without crossing the line. I only bring this up as a counterpoint to the people that will say that this market has only gone straight up. The losses of 2018 were quickly erased and we are now halfway through 2019 but the trade war continues to weigh on the markets. As of July 10, 2019, the S&P500 is up 19.3% year-to-date.

Fixed Income

The Federal Reserve raised rates four times in 2018 but it looks like they are done for now. There is even talk of a rate cut in the next few months. The fixed-income markets are still overvalued and not very attractive. We have made limited investments in fixed-income but it isn't something that we are happy about and isn't something that we are moving into aggressively. We will continue to seek out yield for our clients but it is challenging.

Economic Overview

"U.S. Job Creation Bounced Back in June", "Nonfarm payrolls rose by 224,000 in the month; jobless rate ticked up to 3.7%" This story was on wsj.com on July 5, 2019 and the market reacted by falling.

The Federal Reserve raises rates to cool economic growth and to fight inflation. The Federal Reserve raised rates 4 times in 2018 in spite of the fact that economic growth is below long-term averages. The Federal Reserve raised rates four times in spite of the fact that there are no signs of inflation rising above long-term averages. There have been arguments that these increases were needed to give the Federal Reserve the ability to fight economic instability in the future but many don't realize that these increases were being done while the Fed was decreasing the size of their balance sheet. I won't go into a full explanation of that now but reducing the balance sheet has a similar effect as raising rates, it is a headwind to the economy.

The economy will be a hotly debated topic for the next 18 months. It will be highly politicized and all of the information will be twisted to fit the narrative of the "expert" being interviewed. I would encourage all of our clients to pay attention to growth. Bottom-line, is the economy growing? Possible answers Yes=good & No=bad. There will be heated debates over the rate of growth but if we are growing, we aren't in a recession.

Conclusion

The first half of 2019 has been good to investors. If we end here, I will be happy but there is a high level of uncertainty when it comes to our trading relationships with China, Europe and England. A trade war with any one of these is manageable but disrupted trade with all of them will adversely affect our economy and economic troubles will flow into the markets. The fact is that there is still value to be found and the U.S. economy is the best option for capital around the world. We will continue to invest in strong companies with good management teams when they can be purchased at reasonable prices.

Happy belated 4th of July to all of you and thank you for working with all of us at Whitener Capital Management, Inc.

Sincerely,

Richard "Rick" L. Sanford, II
President