

ASCENT WEALTH PARTNERS

Greetings,

As we approach the midyear, we wanted to share some of our investment thoughts. So far in 2018, the stock market has generated more heat (up-and-down volatility) than light (returns), but in the last few weeks, the market has put on a slow but steady advance. Returns across subsectors of the stock market's universe are modestly positive--generally in the low to mid-single digits. The standout performer have been large growth companies, almost exclusively from the tech sector, whose aggregate returns are in the low double digits. Overall, as measured by the S&P 500 price index, the broad stock market has advanced about 3.6% as we write this note.

The market has firmed up due in large part to strong corporate profits from the first quarter, and from the healthy outlook on tap for the second quarter. Earnings throughout 2018 will benefit from lower corporate tax rates, but more encouraging is that top-line revenue growth is also strong, not directly tied to the tax cuts, and above the trend of recent years. Stronger revenues will power strong earnings. The economy appears to have solid momentum, with business spending strengthening. Households are benefiting from the strong jobs market, and workers are at long last enjoying wage gains as the labor market tightens.

The picture seems a reasonably decent one. For the first time in years, the economy is presenting us something that resembles a traditional business cycle. Growth is accelerating, credit is flowing, and some factor markets are tightening. Trucking, and truckers, are in notably short supply. Overall, business conditions are "pretty good" for most industries, and optimism for the future remains elevated. The baseball analogy is cliched, but our sense is that we are in the sixth or so inning of the cycle, with more game left to play.

Overseas, business has softened somewhat, and in our interconnected global economy, we can't ignore that. Europe and Japan have both slowed a step, and elsewhere, some emerging economies are taking pain from weaker currencies. Too, the Trump administration's increasingly strident tone on global trade is a source of uncertainty for businesses and investors alike. We have threatened tariffs on Chinese trade, and have imposed tariffs on Canada, Mexico, and European Union members affecting their steel and aluminum exports. Several countries have already responded with retaliatory measures. The Administration is taking its hawkish stance in search of a fairer deal on trade terms for US exports. If the saber-rattling over trade terms results in a more level playing field for US companies, it will have been a good thing to do. The strategy is fraught with risk, however, and can trigger much in the way of unanticipated consequences. As the man in the White House likes to say, we'll see what happens.

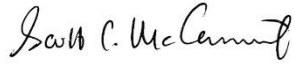
We'll also see what happens in the upcoming North Korean summit, with the continuing fallout from scuttling our participation in the Iran deal, and of course, with the drama from Mueller investigation and what it may, or may not, uncover regarding Russian election meddling. As we consider risks to the investment outlook, unsurprisingly, several have as their locus the West Wing of 1600 Pennsylvania Avenue.

Elsewhere, we are closely watching interest rates. The Fed continues to push rates higher, but with the recent slowdown in global growth, may ease the pace of rate hikes ever so slightly. Higher rates

have made the cost of money a bit more dear to new borrowers, and have helped bond investors to earn more on their investments. Rates remain modest overall, however, and are not yet posing too dire a threat to stocks.

Our outlook for investment conditions remains generally positive.

Respectfully submitted,



Scott C. McCartney, CFA
Partner and Chief Investment Officer



Christopher Lai, CFA
Senior Portfolio Manager

89 Genesee Street, New Hartford, NY 13413
☎ 315.624.7300

16 Lake Avenue, Saratoga Springs, NY 12866
☎ 518.306.4220

1225 W. Water Street, Suite 1, Elmira, NY 14905
☎ 607.734.2002

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