CAPITAL MANAGEMENT GROUP

The Hefter Report – October 2019

With the announcement of the so called "skinny deal" with China, some of the risk in global equity markets has been removed. Assuming it gets signed within a few weeks, our overall attention will primarily be on earnings, impeachment, investor sentiment, and election polling.

We believe that expectations for US corporate earnings have been lowered so much that even seemingly poor numbers can be interpreted as "good" as long as they beat the predictions. Global earnings could also improve now that the fear of an escalating trade war appears to be mitigated.

As for the Democratic presidential nomination, it is our belief that if former Vice President Joe Biden gains support in the polls, equity markets will calm, giving a boost to certain depressed areas such as healthcare and financials. However, if Senator Warren emerges as the presumptive nominee, we anticipate investors will lighten up on stocks amidst fear of higher taxes and increased regulation. Furthermore, should Warren be poised to win the Democratic nomination, a damaging impeachment process could help her win the general election. Recently on CNBC, former partner and head of research at Goldman Sachs Leon Cooperman said of Warren, "Her polices are counterproductive. They're negative for capitalism and capitalism is what brought America into the position we're in today." Speaking about stocks during a Warren administration he added, "It would be a bear market and go on for a year and go down (about) 25%." In a recent research report titled "The Warren Correction", Oppenheimer's bank analyst Chris Kotowski attributed part of the bank sector's decline in September to Warren's corresponding rise in the polls.

Regardless of one's political views, it is clear that some prominent market forecasters are concerned about the prospects of a Warren presidency. It is our job to pay attention to this and to manage portfolios and risk accordingly.

Our bottom line interpretation of the continued geopolitical and economic uncertainty is actually positive for investing: we expect equities remain in a bull market with higher prices and new all-time highs through the 4th quarter and into 2020. Part of our optimism is based on investor sentiment, which is extremely negative and pessimistic. It's hard to imagine anyone watching the evening news getting excited about buying stocks. Worries and fear over hostile actions by Iran and Turkey, combined with poor economic numbers and political uncertainty in the US, make buying equities a very brave act. Fear is pervasive right now, which we understand to usually be a contrary indicator that is actually bullish for stocks.

So, although we believe this aging bull market run has more to go, we do see the potential for darkness at the end of the lighted tunnel. In effort to take advantage of the rampant fear in the markets, we remain invested in stocks for now, but anticipate lightening up and becoming more defensive come spring of next year.

HLM Capital Management Group
1849 Green Bay Road
Suite 200
Highland Park, IL 60035
847 563-3400 phone
800 247-1541 toll-free
847 563-3420 fax
www.hlmcapital.com

Charlie Margolis, Ben Leshem, Steve Hefter, Micah Nathan
Partners

Disclosures

This report has been prepared for informational purposes only, is subject to change without notice, is not all encompassing and is not a solicitation or an offer to buy any security or instrument or to participate in any planning or trading strategy. Wells Fargo Advisors Financial Network did not assist in the preparation of this report. The opinions expressed in this report are those of the author(s) and are not necessarily those of Wells Fargo Advisors Financial Network or its affiliates. Statistical information has been obtained from sources believed to bereliable, but its accuracy and completeness are not guaranteed. All investing involves some degree of risk, whether it is associated with market volatility, purchasing power or a specific security, including the possible loss of principal. Asset allocation and diversification are investment methods used to help manage risk. They do not guarantee investment returns or eliminate risk of loss including in a declining market. Past performance is not a guarantee of future results and there is no guarantee that any forward looking statements made in this report will be attained. Since each person's situation is different you should review your specific investment objectives, risk tolerance and liquidity needs with your financial professional before selecting a suitable planning, savings or investment strategy.

S&P 500 Index: The S&P 500 Index consists of 500 stocks chosen for market size, liquidity, and industry group representation. It is a market value weighted index with each stock's weight in the Index proportionate to its market value.

Stocks are subject to market risk which means their value may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Investments in equity securities are generally more volatile than other types of securities. There is no guarantee that dividend-paying stocks will return more than the overall stock market. Dividends are not guaranteed and are subject to change or elimination.

Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. Investing in emerging markets accentuates these risks.

Investments that are concentrated in a specific sector or industry may be subject to a higher degree of market risk than investments that are more diversified.

Investments in fixed-income securities are subject to market, interest rate, credit and other risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. Credit risk is the risk that an issuer will default on payments of interest and/or principal. This risk is heightened in lower rated bonds. If sold prior to maturity, fixed income securities are subject to market risk. All fixed income investments may be worth less than their original cost upon redemption or maturity.

There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions.

Lending and other banking services available through Wells Fargo Advisors (NMLS UI 2234) are offered by banking and non-banking subsidiaries of Wells Fargo & Company, including, but not limited to Wells Fargo Bank, N.A. (NMLSR ID 399801), Member FDIC, and Wells Fargo Home Mortgage, a division of Wells Fargo Bank, N.A. Certain restrictions apply. Programs, rates, terms, and conditions are subject to change without advance notice. Products are not available in all states. Wells Fargo Advisors is licensed bythe Department of Business Oversight under the California Residential Mortgage Lending Act and the Arizona Department of Financial Institutions (NMLS ID 0906158). Wells Fargo Clearing Services, LLC, holds a residential mortgage broker license in Georgia and is licensed as a residential mortgage broker (license number MB2234) in Massachusetts.

CAR-1019-02927

EQUAL HOUSING LENDER

Investment and Insurance Products: ▶NOT FDIC Insured ▶NO Bank Guarantee ▶MAY Lose Value

HLM Capital Management Group
1849 Green Bay Road
Suite 200
Highland Park, IL 60035
847 563-3400 phone
800 247-1541 toll-free
847 563-3420 fax
www.hlmcapital.com

Charlie Margolis, Ben Leshem, Steve Hefter, Micah Nathan
Partners