

Sather Financial Group, Inc.
Private Wealth Management

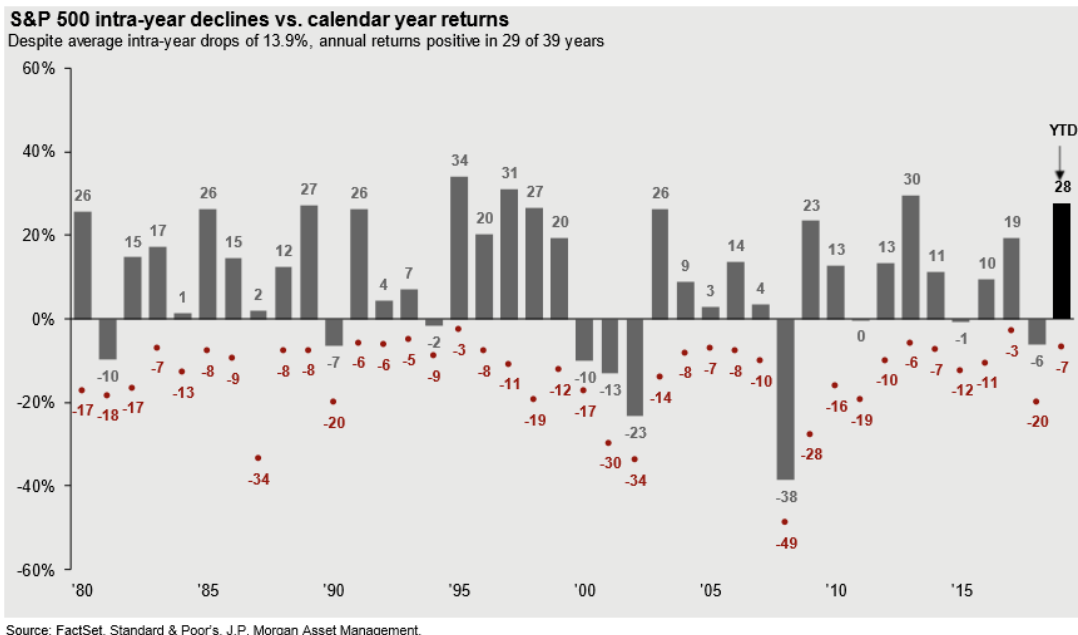
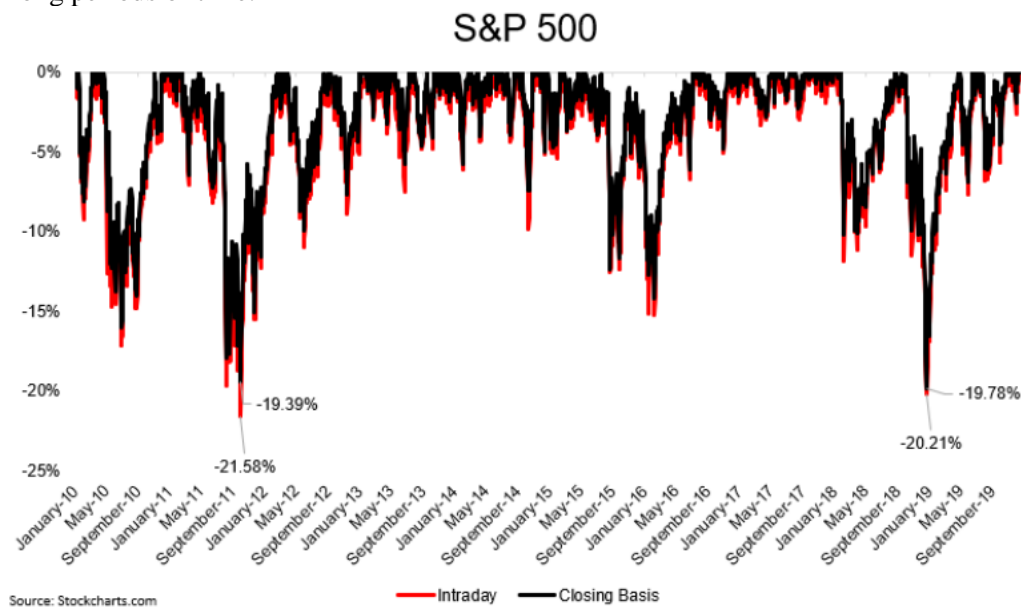
4th Quarter Commentary
A Great Year And A Surprisingly Good Decade

As we look back upon the last year and decade, the data clearly shows there was lots of volatility and scary things.

However, if you did not go on the internet or watch TV...and only made decisions based upon data...life would be much easier and clearer.

Unfortunately, we are inundated with information. As such, managing our lives and investments is much like making sausage....a messy process, but with a solid plan the results are still pretty good.

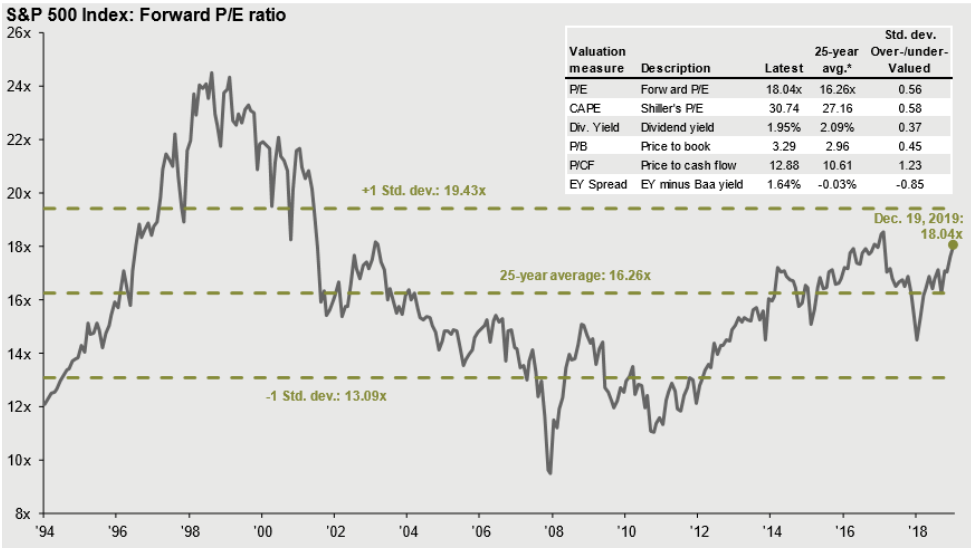
After surviving an irrational 20% drop in stocks a year ago, the stock markets rebounded quite nicely. Again, another reminder of why we invest for long periods of time.



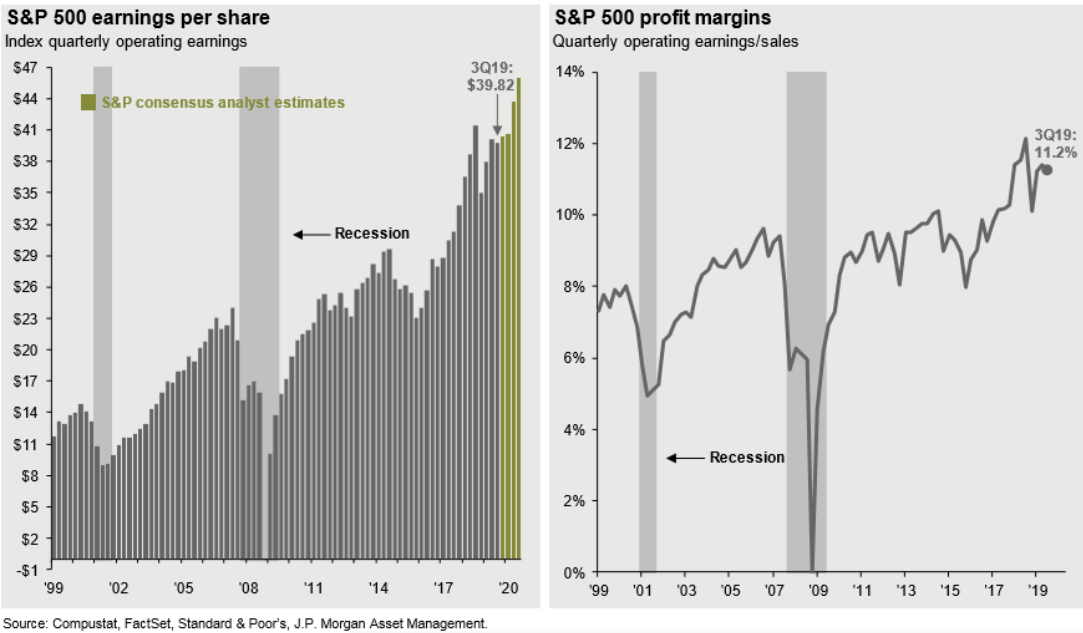
Some of the gain in the financial markets has been due to increased profitability, while the other component has been increased valuations.

Profit margins of 11% are well above the 20-year averages and earnings per share have increased nicely.

However, with few other places to get a positive, inflation adjusted return, more people have turned to the stock market which has increased valuations.



Valuations are not nosebleed levels, but they are running about 10% above the 25-year averages.



Although there has been much gnashing of teeth about possible recessions on the horizon, the data simply doesn't reflect such.

GDP is advancing more than 2% over inflation.

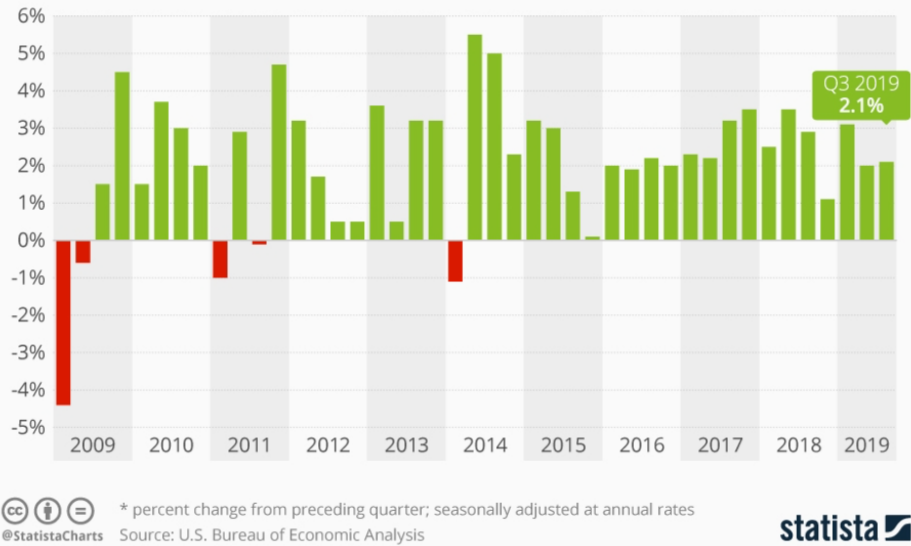
This level of economic advancement is right in line with the average since the year 2000.

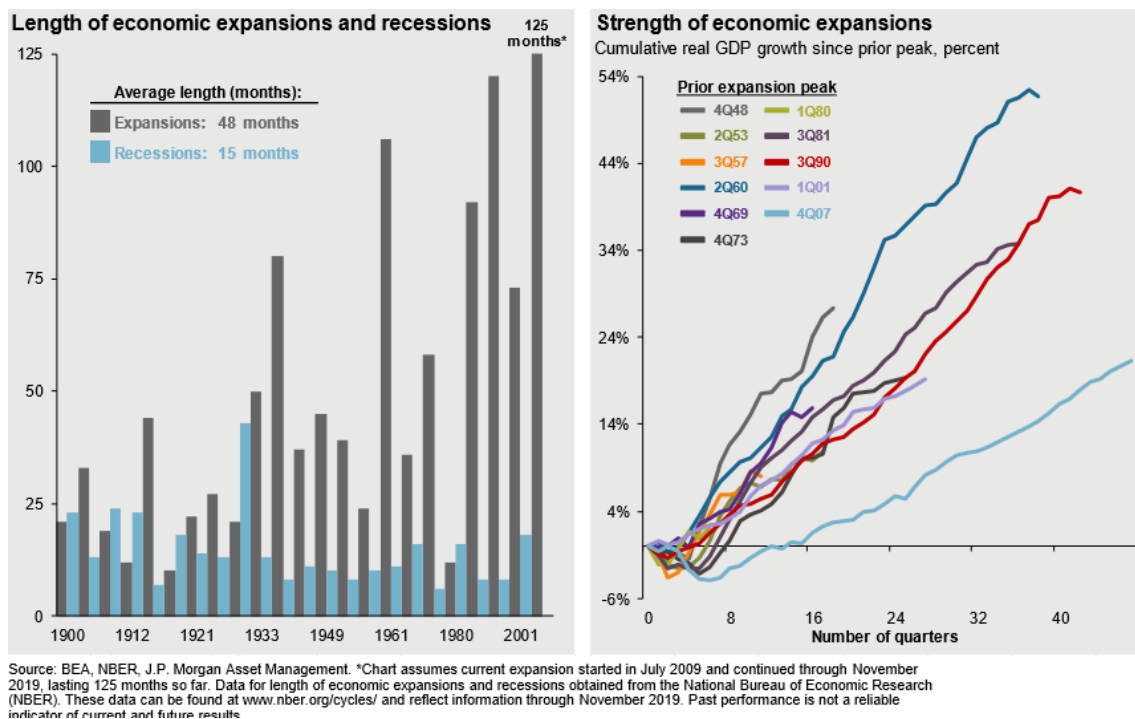
Furthermore, the economic expansion continues to be the "little engine that could."

December is the 126th straight month of expansion.

U.S. GDP Growth Revised Up to 2.1% in Q3

Quarterly real GDP growth in the United States*





Understandably, economic expansions this long are typically driven by broad employment. This is certainly the case.

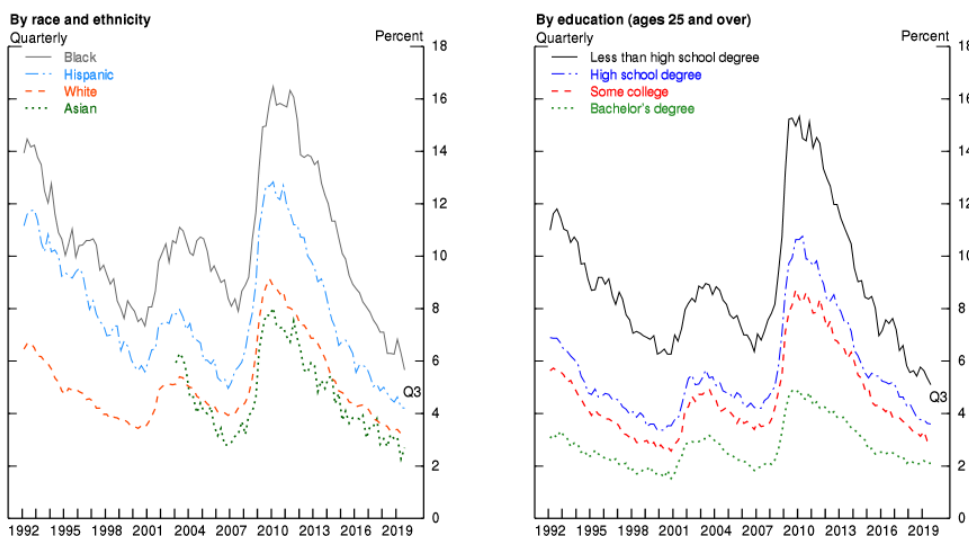
New claims for jobless benefits are at the lowest levels in fifty years.

Furthermore, the declines in unemployment have been across race, ethnicity and education levels.

As such, the benefits have been across broad swaths of our country.



Figure 4. Declines in the unemployment rate have been widespread in the current expansion

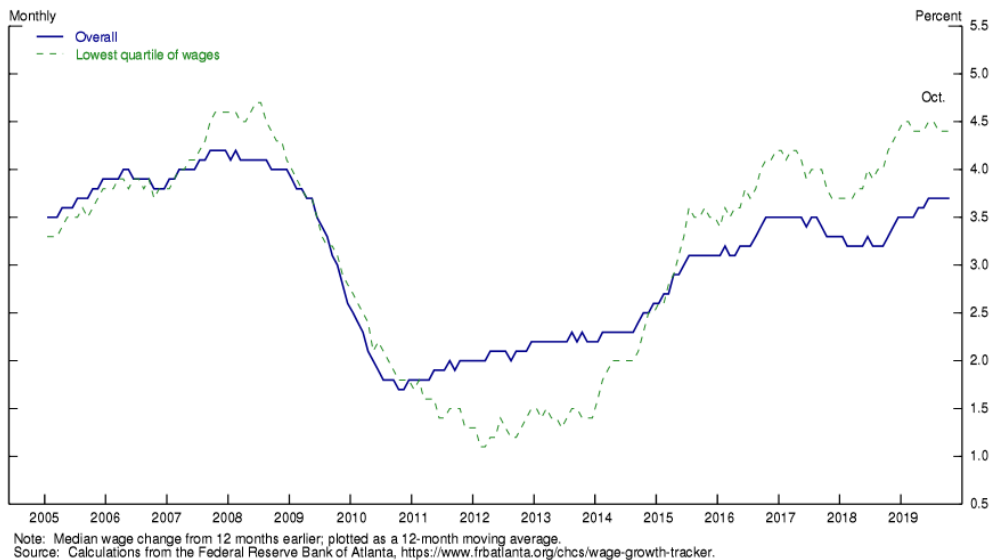


Broad employment has been coupled with good wage growth.

Interestingly, the lowest quartile (least skilled) employees have seen the biggest percentage increases in income.

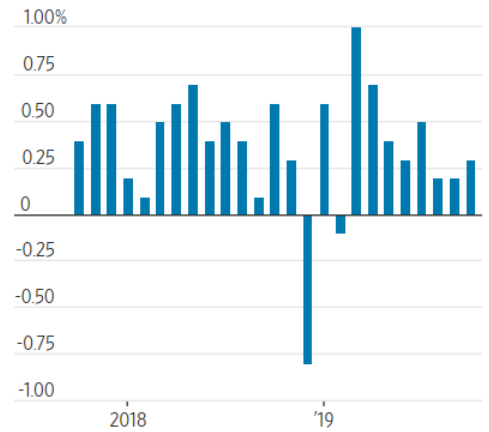
Given this, consumer spending (70% of GDP) remains strong.

Figure 7. Wages have been growing faster since 2015, particularly for lower-paying jobs



Steady Spending

Percent change in personal-consumption expenditures



Note: Seasonally adjusted annual rate

Source: Commerce Department via St. Louis Fed

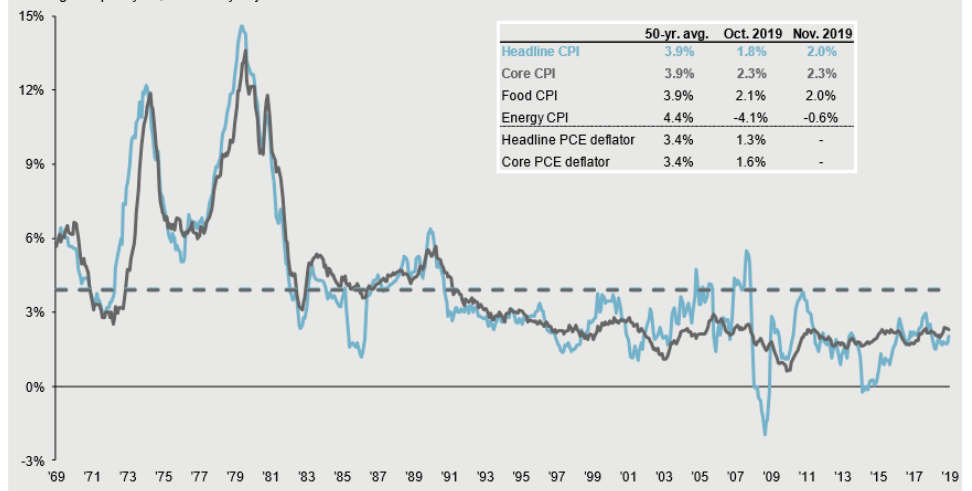
Another interesting facet of our economy is that despite wage growth and full employment, there is very little inflation (2%).

This allows the Federal Reserve to stay on hold for the time-being.

The 10-Year US Treasury yields less than 2%...more or less in line with the inflation rate.

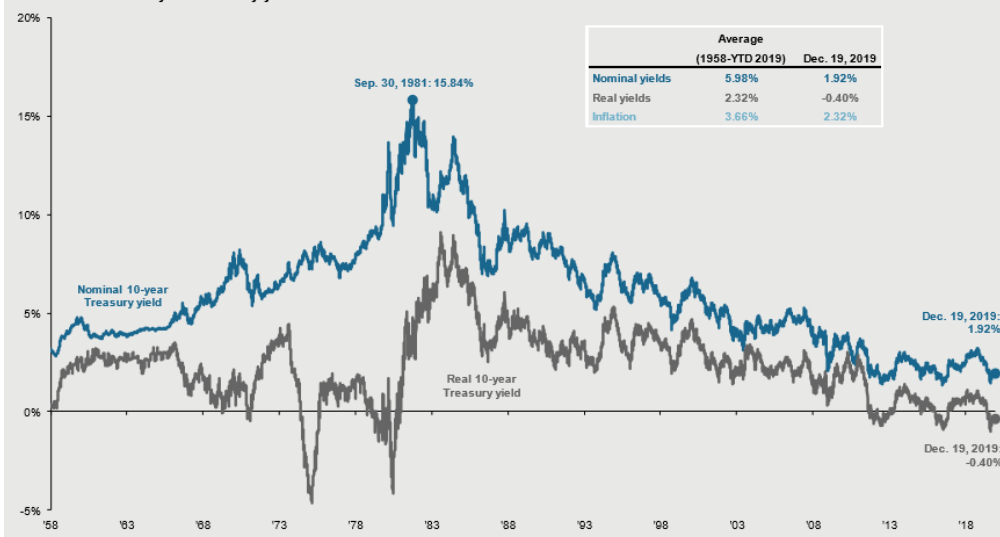
CPI and core CPI

% change vs. prior year, seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management.

Nominal and real 10-year Treasury yields



Source: BLS, FactSet, Federal Reserve, J.P. Morgan Asset Management.

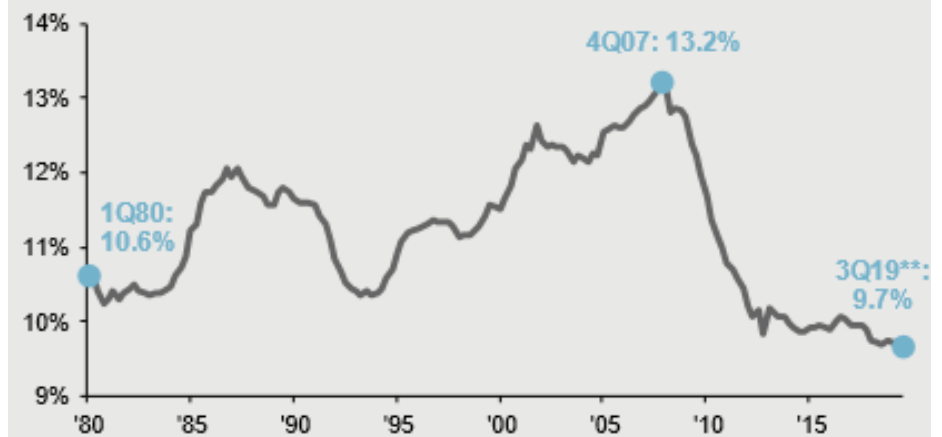
With low inflation, low interest rates and full employment, people can better afford housing and service debt.

While the government and corporations have loaded up on debt, the consumer has maintained discipline.



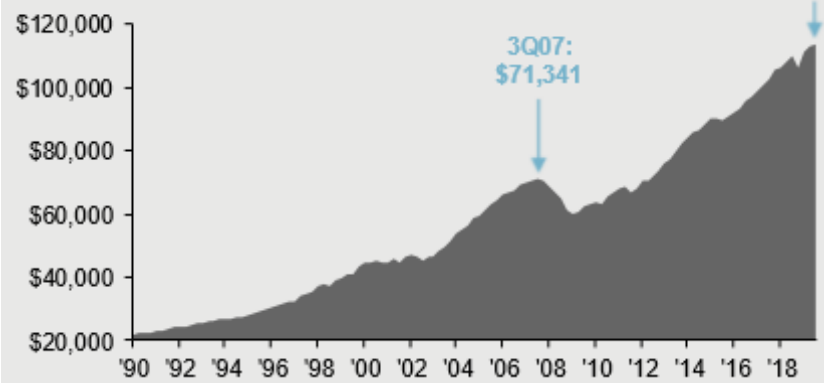
Household debt service ratio

Debt payments as % of disposable personal income, SA



Household net worth

Not seasonally adjusted, USD billions



Lastly, with the strong performance in the stock market and solid demand for housing, household net worth's stand at all-time high levels.

Despite all the flaws of the world, it is simply amazing to see how far our economic picture has recovered, and advanced, in the last ten years.

As we enter a new year and decade, we have much to be hopeful for and thankful for. Thank you for your continued support. Best wishes for a healthy, happy and prosperous new year and new decade.

As always, let us know how we can help with any of your investment or strategic/financial planning needs!

Sincerely,

Dave

Dave Sather, President
 CERTIFIED FINANCIAL PLANNER

Warren

Warren Udd, Vice President
 CERTIFIED FINANCIAL PLANNER