DJ IA	Nasdaq	S & P 500	Russell 2000	MSCI EAFE	Crude Oil	Euro	10 yr Treas.	Fed.Fund Rate	Prime Rate
26916.83	7999.34	2976.74	1523.37	7988.98	54.07	0.9174	1.68	1.75-2.00	5.00

Money Manager Newsletter
September 30, 2019
Investment Consulting Group, Inc.

"The Market Can Stay Irrational Longer Than You Can Stay Solvent"
John Maynard Keynes—British Economist

JP Morgan's Guru says His "Once In A Decade" Trade Is Upon Us

Marko Kolanovic, head quant at J.P. Morgan, says extreme divergences in the market have led to the move in value stocks and that trend should continue. He sees investor positioning, into underperformance of value names. Reports have moved the market, says stocks can keep moving higher beyond October, aided by central bank easing and fiscal stimulus. "Given that the S&P 500 is heavy in bond proxies and secular growth, we would expect higher upside potential in small caps, cyclicals, value, and Emerging Market stocks than the broad S&P 500." There is now another all-time extreme divergence, the record performance gap between large cap companies and small cap names. Small cap momentum indicator, based on a weighted one-, three-, six– and 12– month price momentum, reached its maximum negative reading. The momentum indicator for the S&P 500 was at its maximum positive reading. The only other time this occurred was in February, 1999. "Many similar indicators suggest the gap is not sustainable between value, cyclicals, SMid on one side, momentum, low volatility, and growth on the other side." "While manufacturing lags both, we see that in the coming months one could expect manufacturing activity to pick up given the increased monetary stimulus, providing support for the market and value stocks. We think October negotiations will be the key for future performance of equity markets and more broadly the global economy." "Cautiously optimistic" about the trade talks since polls indicate that a majority of American voters would blame the Trump administration's trade policies and the president for market volatility, and more than half would blame the president for a recession. "If the October negotiations fail, these moves could be unwound, but given the extreme low positioning and style tilt, we think the downside is limited." Patti Domm—Market Insider

India's Record

Since 2014 India has moved up 57 places to 77 in the World Bank's ease of doing business index. Endemic corruption has been reduced. In the year to March India attracted a record $64.4bn in foreign direct investment. Big steps have been made in the banking system to deal with bad loans. Inflation is tamed and the central bank has room to maneuver on monetary policy. A more telling tale is how access to the internet is surging because Indians can buy data on their mobile phones cheaper then virtually anywhere else in the world. Mr. Modi is doing what is needed to sustain low inflationary growth. David Cornell—Chief Investment Officer Ocean Dial

Interesting Contrast In Headlines. Who To Believe?

The U.S. economy added 130,000 jobs in August. A sign that the labor market is holding up despite the continuing trade war with China. NY Times

Then the same day:
U.S. hiring stumbled in August, likely cementing expectations for a second straight Federal Reserve rate cut. Bloomberg

"Two are better than one, because they have a good return for their labor: If either of them falls down, one can help the other up. But pity anyone who falls and has no one to help them up." Ecclesiastes 4:9-10

Do you remember being a kid and pretending your could fly? Do you remember jumping off a roof to test that theory? No? Ok, good. Me neither. You know why? Because even as kids, we knew what it meant to *make-believe*. A lot of people like to make -believe that they know how to invest. There's a lot riding on whether you are a real investor or a make-believe investor. Not sure which category you fall into?

1. Make-Believe investors think the stuff they hear on the financial pornography networks is real.
2. Make-Believe investors think it makes sense to change their investments based on politics.
3. Make-Believe investors monitor their investments obsessively. The result tends to be poorly thought out, knee jerk reactions .
4. Make-Believe investors talk the talk. You know, investors jargon: alpha, beta, P/E, market cap, time horizon, long this, short that.
5. Make-Believe investors worry endlessly about some far-off part of the world and the impact global politics have on their portfolio.
6. Make-Believe investors complain endlessly about volatility in the market and external actions that have a short-term impact on the big bets they have made on individual stocks.

There's nothing wrong with playing make-believe. But there is something wrong with acting on it. Just don't jump off the roof because you convinced yourself you can fly.
Carl Richards—Behavior Gap

"The day before something is a breakthrough it's a crazy idea."

"Patience is a virtue, but persistence to the point of success is a blessing."

9/30/2019	Growth Median P/E	Historical Growth Avg.	Value Median P/E	Historical Value Avg.
Royal Blues	31.9x	25.1x	13.3x	11.6x
Large Cap	24.5x	20.2x	11.1x	10.9x
Mid Cap	33.3x	23.8x	10.9x	12.0x
Sm Cap	32.1x	27.8x	11.1x	12.1x

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China

We may be in the minority, but we do not believe it is the biggest threat facing the market and the economy. We still see the deflationary risk brought on by a behind-the-curve Fed as the biggest threat to the market. U.S. imports from China are valued at three to four times the value of U.S. exports to china. The U.S. economy is 50% larger than the Chinese economy. As a result, Chinese exports to the U.S. are six times larger as a percent of their economy than U.S. exports to China. It seems clear that the U.S. (or at least President Trump) is willing to tolerate some short-term pain in order to level the trade playing field with China. Yes, some areas of business will have to adjust during this process. The most important goal for the U.S. is to limit the intellectual property theft now practiced by China. Some have called this misappropriation of intellectual property the largest wealth transfer in history from one country to another. The best time for us to try and correct this situation is when our economy is at its strongest. Chinese GDP is slowing, their currency is at an all-time low, and their stock market is near a low. Stemming the loss of intellectual property to the Chinese would be a huge gain for the U.S., so the stakes are high for both sides. However, China has much more to lose. Where does this end? We don not know. But since the dispute adds investment uncertainty, it makes the Fed seem tighter than if the risk did not exist. Investors always have risks to consider, and structuring portfolios to navigate these risks remains our keen focus.

The Dana Viewpoint—August 2019

The Traditional Farm Investor:

The demand for farmland from individual and institutional investors continues to be strong. These buyers are almost exclusively driven by the asset's return and they won't overpay for a parcel like a farmer might. Investor purchases the past 24 months have helped support prices for the better quality tracts; and, this group believes in buying and holding for the long term, which helps stabilize the amount of land on the market at any one time. I believe that this class will continue to be active buyers of both "A" and "B" quality tracts. They believe that farmland is still one of the best long-term investments that they can buy and they're committed to the asset class.

While some ag economists are convinced that farmland values could drop significantly in the next few months, the behavior of buyers and sellers could likely prove this prediction wrong. Demand for lower quality tracts (especially those that are difficult to farm due to field obstructions) will likely remain stagnant, and it may take longer to sell a farm than what we're used to, but average prices in most areas should continue to be reasonably stable for the near future.

The Loranda Group, Inc.

Treasury Market Yields	9/30/2019	12/31/2018	12/31/2017
2 Year	1.63%	2.48%	1.89%
5 Year	1.55%	2.51%	2.20%
10 Year	1.68%	2.69%	2.40%
30 Year	2.12%	3.02%	2.74%
SP 500	1.91%	2.15%	1.89%
Commodities			
Oil ($bal)	$54.07	$45.41	$60.42
Gold ($/oz.)	$1465.70	$1278.30	$1306.30
CRB Index	$173.94	$169.80	$193.86