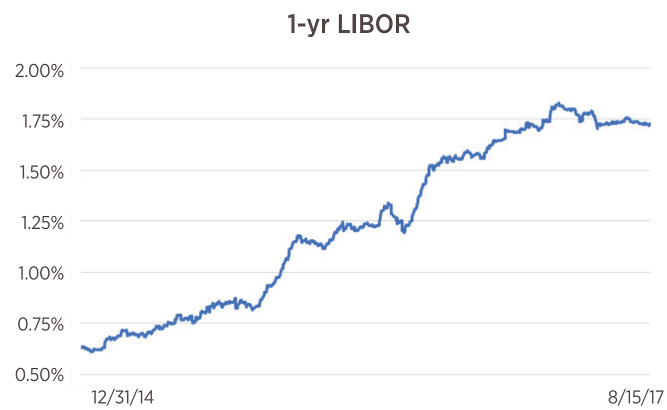
6 Meridian

Viewpoint / September

Chart of the Month

Over the past 18 months the Federal Reserve has raised short term interest rates from 0.25% to 1.25%. While this increase has resulted in somewhat higher yields for savers and investors, the average savings account still only yields 0.06% (according to FDIC as of August 28, 2017). If investors are willing to consider other safe (but not guaranteed) short-term alternatives, they can find some reasonable yield. This chart shows the one year LIBOR interest rate for the past 2.5 years. LIBOR is a benchmark interest rate that is used for consumer and corporate loans. Our experience is that a diversified portfolio of short term debt with reasonably high credit quality should earn 0.5% - 1.0% above LIBOR, or 2.2% - 2.7% based on the current LIBOR level of 1.7%. If you have excess funds that you want to invest conservatively, don't settle for the poor yields in savings or money market accounts. Discuss with your advisor about alternatives available based on your goals and risk profile.



Source: FactSet 2017.

The Advisor Survey:

Margaret Dechant, CFP®, Chief Executive Officer, Wealth Advisor

Given the length of the current bull market and what appear to be relatively high valuations, should I consider reducing the risk and/or raising cash in my portfolio?

Both history and common sense tell us that markets do indeed cycle and that volatility will return at some point. Harvesting portfolio gains and raising funds to cover shorter term cash flow needs is a prudent strategy and one often used in rebalancing client portfolios. This allows investors peace of mind in knowing cash is available when needed, regardless of market trends, but also keeps the longer term portfolio allocation intact. Until recently, a related question has been, what to do with the cash given extremely low short term interest rates. With the gradual shift in short term rates, there are investments that offer attractive yields with relatively low risk. There is an opportunity for clients to set cash aside, take some risk out of the portfolio, all the while earning 'cash on their cash'.

	Source: FactSet 2017	August	YTD	2016	Benchmark
Stocks	United States	0.3%	11.9%	12.0%	S&P 500
	Intl Developed	0.0%	17.5%	1.5%	MSCI EAFE
	Emerging Markets	2.3%	28.6%	11.6%	MSCI Emerging Markets
Bonds	US Investment Grade	0.9%	3.6%	2.6%	Barclays US Aggregate
	Intl Investment Grade	1.1%	10.1%	1.5%	Barclays Global Aggregate xUSD
	Global High Yield	0.6%	8.7%	14.3%	Barclays Global High Yield
	Emerging Markets $	1.4%	7.4%	9.9%	Barclays Emerging Markets USD Aggregate
Other	Commodities	0.4%	-2.7%	11.8%	Bloomberg Commodity
	Gold	4.1%	14.8%	8.5%	Gold New York Spot ($/oz)
	Oil	-6.1%	-12.3%	44.8%	Crude Oil WTI/Global Spot NYMEX

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