Dare Capital Management, LLC
Registered Investment Advisor

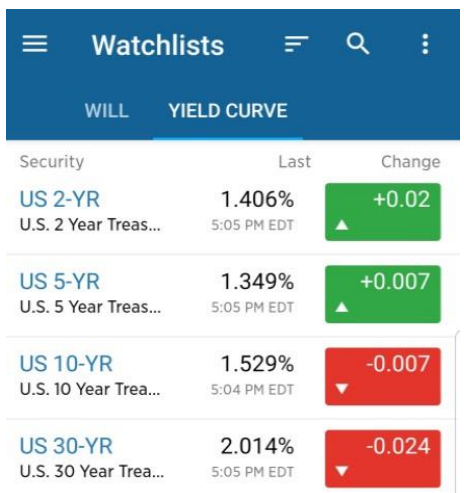
CFP CERTIFIED FINANCIAL PLANNER™

October 6, 2019

"Nobody grows old merely by living a number of years. We grow old by deserting our ideals. Years may wrinkle the skin, but to give up enthusiasm wrinkles the soul." -Samuel Ullman

...And, bam!, just like that we're in October, with Ocracoke digging out from an historic storm and basically shut down to the outside world until 2020.

2019 has been a very dynamic period by whatever metric you'd like to use as a qualifier. On the Outer Banks we use storm names, or the surf crew marks notable swells, or fishermen and women note the quality of shrimp or trout seasons. In the financial world, 2019 as of early October will be remembered for **low interest rates, discernment on the part of investors, and trade wars.**



Security	Last	Change
US 2-YR U.S. 2 Year Treas...	1.406% 5:05 PM EDT	+0.02
US 5-YR U.S. 5 Year Treas...	1.349% 5:05 PM EDT	+0.007
US 10-YR U.S. 10 Year Trea...	1.529% 5:04 PM EDT	-0.007
US 30-YR U.S. 30 Year Trea...	2.014% 5:05 PM EDT	-0.024

US Treasury Yield Curve, 10/4/19

Low interest rates- The gasoline for this whole motor, access to cheap capital and the world's most respected capital markets in a time of global slow-stepping (of either an organic or man-made design) is a core contributor towards making this historic bull run in US securities happen.

The US financial market is in a momentary sweet spot in the financial world-offering better growth prospects, higher bond yields to government debt investors (although still very low historically and on an absolute basis), better financial accounting and reporting standards, very good liquidity (owing partially to banking regulations put in place after the 2008 crisis) and superior market structure to handle the flow of money, stocks, bonds, etc., than any other country. As a result, money is pouring into US financial markets.

2518 S. Croatan Hwy, Suite E P.O. Box 1806

Nags Head, NC 27959 (252) 480-0156 www.darecapital.com

The rising tide is not lifting all boats, however. Many manufacturers and retailers are in recession. Financials and health care stocks are at the same price level or lower than they were at the end of January 2018. Some of this year's crop of initial public offering stocks- known as unicorns for their high private valuations- has not been well-received either, which I think is just the market voting with its pocketbook.

Discernment is a word that carries weight in 2019.

Pot stocks? Nope, not yet. Banks/brokers? Along with health care and energy, the cheapest and most out of favor sectors of the US financial economy. Managed care? Pharmaceutical? Biotech? Early-stage drug development? All out of favor until a tide of investor sentiment changes.

Capital is heading into certain parts of the market, raising valuations and lowering yields. It loves a software as a service (Saas) company with a great product in its market niche-like Coupa or Workday or Veeva Systems. **Or Microsoft**, which has quietly tripled since Steve Ballmer took his billions and retired as CEO. It loves Apple Computer, Nike, Starbucks, Costco, Walmart. It's temporarily in love with Real Estate Investment Trusts (REITS), up 28% on the year, and it's even tolerant of well-situated utilities.

Discernment explains some of the 19.44% return year to date for the S&P 500, and at its extreme it helps to explain why the US Long Treasury ETF is up over 22% so far in 2019. (More on this later)

Trade wars- Contrary to what you may have heard, trade wars are not 'good and easy to win.'

Capitalism at its core depends on as frictionless as is economically valid movement of goods from producer to consumer. To a core capitalist, impediments to frictionless flow of trade are bad. Any escalation of trade-unfriendly behavior throughout the world will negatively affect global output because it will add economic or other costs to the system. Regulatory impediments, embargos, punitive value added taxes all fall into this category.

China hawks make a valid case for punishing and attempting to modify China's history of intellectual property theft, lack of scruples about selling deadly drugs to foreign markets, and policy of restrictive joint ventures put in place on US sellers in China. However, the situation is multi-faceted and subject to rhetoric, posturing, and fear of looking weak by the participants.

Upcoming earnings reports for US companies will give further color into how individual entities are being impacted by the tariff landscape.

Support and Resistance-Equities

Here are two charts of the S&P 500 ETF with the symbol SPY- the chart on the left is a three-month timeframe, on the right is a two-year timeframe. On the left we can see the recent high at 302.63 in late August and the slight pullback since then. The blue lines I added show levels of support and resistance, with the 294 level being significant after this past week's action.

On the two-year chart we see last fall's correction and the climb back to new highs from there. Volume and relative strength trends look favorable on the longer-term chart. At current levels we are three percent below all-time highs and broken out above last year's January/September peaks.

Support and Resistance- Bonds

The two charts above show US Long Treasury Bond ETF TLT for three-month(l) and five-year(r) periods. This security has been a prime beneficiary of low global interest rates and is up **22.35%** so far in 2019. Perhaps even more headshaking is that a sentient case can be made that the move might have further to go...

Why have US government long bonds gone up so much in 2019?

European quantitative easing and negative interest rates through a large part of the global bond market has pushed the yields of US government debt steadily lower and thus the price has risen, even eclipsing the previous high price set immediately after the Brexit vote in 2015. **The real market anomaly** is that US government bonds offer a unique combination of yield and default risk among the world's government bond markets that almost ensures more buying pressure.

This has been an unprecedented year for bond market traders continuing to buy US long dated debt at any price or valuation, in effect betting on European economic stagnation and European Union financial intervention to keep Swiss and German bonds negative and point every incremental buyer towards US Treasuries. A rare market event that won't last forever but that has been a marvel to investors while it has existed.

Pulse

We've had a good 2019. The S&P is up about 30% from the Christmas Eve 2018 lows. US large-cap, mid-cap, and small-cap indices are all up double digits on the year, as are REITS and (perhaps surprisingly) developed market international stocks.

Although there's a lot to be happy about in our holdings, my value bent that insists on owning select financials like Goldman Sachs and Bank of America, healthcare names like Johnson and Johnson and Centene, dividend stalwarts Chevron, Altria and what I saw as a 2+2=5 situation in the Dow- DuPont merger has put me at odds with market during this most recent part of the cycle. As investors have sensed the economy slowing, they have gravitated towards larger recession-resistant sectors and away from value stocks in cyclical industries, and stocks of smaller companies. We'll see how long before a tidal change occurs…

A Note on Taxes-

The 2107 Tax Cuts and Jobs Act (TCJA) has made significant changes to tax policy. Tax rates, standard deductions, capital gains rates, itemized deductions- all have been affected. Now is a good time to review your 2019 tax picture while there's still time to consider tax-planning options.

TCJA Resource Links:

Investopedia has compiled a handy summary of the 2017 TCJA- https://goo.gl/wgnpKB

Here's a Motley Fool piece on capital gains rates under the TCJA- https://goo.gl/KKZZkc

TCJA Self-Employed and Entity Tax Changes from Inc.com- https://goo.gl/Ag7CLz

TD Ameritrade 'Ticker Tape' Newsletter

TD Ameritrade Institutional is my firm's custodian partner and Ameritrade common stock is a top holding. TD Ameritrade offers a timely and thoughtful weekly newsletter called Ticker Tape. To sign up for the Ticker Tape newsletter visit https://tickertape.tdameritrade.com/

Will W. Woodard, III, CFP®
Southern Shores, NC
October 6, 2019

Please note that the above commentary is presented for informational purposes only.

Dare Capital Management is a registered investment advisor in North Carolina providing ongoing investment management and related planning to individuals, families, and businesses. Find out more about the firm at https://darecapital.com