

The Only Constant Is Change

As we review the first half of 2018, let's identify some similarities and differences from last year. Among the similarities; the U.S. economy remains firm. As in recent years it is not growing as quickly as we would expect, but the growth rate of real Gross Domestic Product (GDP) has ticked up a bit. The consensus of economists is that recent changes in tariffs and foreign trade will not affect the growth rate overall as much as it will affect certain industries. Also, unemployment remains low at 4%, which is considered full employment by economists and Inflation remains subdued.

Some of the differences we've seen this year are increased volatility in the S&P 500 (especially during late January and early February), rising oil prices and rising interest rates. We expect these trends to continue for the balance of the year as the stock market earnings will be affected by the conflicting forces of lower tax rates, but higher tariffs in certain industries such as industrial and technology companies. After hitting a 4-year high recently, we believe the inability, due to physical restraints, or unwillingness, due to economic needs, of OPEC to increase production should keep oil prices at current levels or higher this year. Finally, with the economy at full employment we expect to see some wage inflation later this year, but overall inflation to remain tame. The bond market seems to anticipate this as well as the 10-year U.S. Treasury yield reached 3% last month for the first time in several years, and the Fed is indicating its intention of raising the short end of the yield curve at least two more times this year.

Recent decisions have also brought changes to the investment community. As of September 5, 2017, the settlement period for securities has been reduced by one business day. According to the official release "The SEC remains committed to ensuring that U.S. securities regulation is reflective of modern times, and in shortening the settlement cycle by one day we aim to increase efficiency and reduce risk for market participants has also brought changes in how financial firms operate." This means that the time between when a trade is made, and when the security has been received by your account, has been reduced by one business day.

Charles Schwab & Co. also announced earlier this year that they will no longer produce checks at local branches to be picked up. Although checks can still be mailed to the address of record, Schwab is trying to encourage more efficiency with more electronic delivery of funds.

With these changes taking place recently, Paragon would like to reiterate our policies regarding money movement from clients' accounts. First, please let us know as soon as possible when funds are needed. We recommend at least 3 business days. Of course, money link (a direct link from your Schwab account to your checking account) is faster than having a check issued and mailed, and both are usually faster than a wire transfer (as extra days are involved to authorize the signature and third-party delivery instructions, and to account for a daily cutoff time for request). For a wire transfer a notice of at least 5 business days is greatly appreciated.

If you have not already done so, this would be a great time to establish a money link between your Schwab account and checking account, or to create a regular distribution that would assure your receipt of funds even if you forget to contact us. Please call the office to get the details.

There have also been some changes within our office. We are pleased to have **Austin Alejos** as our summer intern. Austin just completed his junior year at Drury University in Springfield, Missouri where he is pursuing a Bachelor of Business Administration with a double major in Finance and Economics. He will be assisting us in economic and fundamental company research as well as providing some statistical analysis for us. We look forward to working with Austin this summer and are sure that both he and Paragon will benefit from his time with us. Due to the nature of his employment, Austin will not be dealing with clients, or their accounts.

We have also hired two full-time associates to join us on the operational side of the business. **Melissa Eagan** is a native of Indiana and a graduate of Ball State University. She joins us from another local financial services firm. Prior to coming to Kansas City, Melissa, her husband and their dog lived in Arizona.



Will Zahner is originally from Kansas City. After receiving his B.S. in Finance from Kansas State University, he moved back to town to pursue a career in his chosen field. He has passed his Chartered Financial Analyst (CFA) Exam I and sat for Exam II just last month. Will also joined us from a local financial services firm. In his spare time, he enjoys playing golf.

We are looking forward to working with Will and Melissa and are confident they will enhance the service capabilities of Paragon going forward. When you have a chance to interact with them, please join us in welcoming them to our already great team.

Craig, Howard, Elizabeth, Ward & Brian

*Paragon Capital Management, LLC
9200 Indian Creek Parkway, Ste. 600
Overland Park, Kansas 66210
Phone: 913-451-2254
Toll Free: 1-800-508-4605
Fax: 913-451-2505*

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Quarterly Reports

We have received positive feedback from our recent format changes. However, we understand that there is still some uncertainty regarding certain sections of the new report. We are always happy to sit down with you, or schedule a phone call, to explain the report in greater detail. If you think this would be helpful, please let us know.

In the ongoing effort to continue to give our clients the most detailed, and meaningful, data available, you may have noticed that your Schwab statement now includes, within the detail sections, cost basis information on your individual securities. Although this is information which we provided to you on an ongoing, quarterly basis in the past, it is now available on your custodial statements. We trust that you find it useful. A copy of our SEC Brochure (formerly Form ADV Part II) is available at any time. This document describes who we are, what we do, and how we do it. Also, our Proxy voting policy is available to you at any time. If you would like to receive either of these documents or inquire as to how your shares have been voted, please contact us at a phone number, or e-mail.

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