

July 2019

What in The World Is Going On?

Markets work on the principle of supply and demand. The more demand there is for a product, or service, or stock, or bond the higher the price will move given that the supply remains relatively stable. Now, expand the concept of supply and demand to the entire world. No longer are we thinking about individual items, but larger and larger groups of items. In the structure of politics and economics, these groups are obviously countries and regions.

That, in a nutshell, is why U.S. markets have been so strong this year. For all the headlines regarding trade talks, threatened tariffs, the Fed tightening or easing, slowing manufacturing, full employment, accelerating or slowing wage growth etc., what it comes down to is that everyone around the world wants to invest in the U.S.

Our stock market is near all-time highs. Our interest rates are again approaching historic lows (remember, higher bond prices lead to lower interest rates). Our economy is healthy, if not robust, and is producing new jobs every month. And while that job growth is not yet leading to wage inflation as would typically be expected, it is bolstering consumer confidence, leading to strong corporate earnings.

Six months ago, the consensus was that the Fed should continue to gradually raise short-term interest rates to stave off inflation. Currently, the consensus is that the Fed will be lowering interest rates in order to keep the economy moving along. Although the economy is not that much changed, the perception certainly is, and the markets are the leading indicators.

Across the world, other developed economies are not growing. Because of that, they continue to lower rates (Japan and Germany have negative government bond interest rates; i.e. you give them \$100 and they will give you less than that at maturity) to try and encourage corporate growth. Other less developed economies are paying much higher interest rates, but with much greater risk of default.

In short, as of July of 2019, the U.S. markets are in a sweet spot. Investors are buying stocks based on strong corporate earnings and are buying bonds based on positive rates and financial stability. How long does it last? So far, it has lasted longer than any "experts" have predicted. What changes it? Obviously, not anything that pundits have predicted so far (tariffs, tweets, etc.). How will we know when it changes? Typically, the tide turns when the consensus is that everything is stable and will continue for the foreseeable future. We do not seem to be there now but looking back as recently as last December we can see how quickly things change.

As always, our task is to invest in companies and credits that will provide an appropriate return in various types of scenarios. We are always glad to discuss our investment philosophy and process with you.

On a more personal note, we are very proud to acknowledge a recognition that one of our own has received. From the press release:

The Broadway League Announces 2019 League Awards Honoring Excellence and Achievement for Touring Broadway

The annual Broadway League Awards, honoring excellence and achievement for Touring Broadway, were announced today during the Broadway League's 2019 Spring Road Conference. First presented in 1992, the Broadway League Awards recognize the contributions of those who have displayed exemplary service to the Broadway industry and are considered innovators of their craft.

The Star of Touring Broadway Awards were created to honor board members, government officials, donors and volunteers who have given support to promote and enrich the Broadway Series in their hometowns.

HOWARD & RO JACOBSON have been longtime season subscribers and devoted donors contributing greatly to the Starlight Theatres success and both have been visiting the theater since they were children with their parents. Howard and Ro have served multiple years on the Starlight Board of Directors. They have given generously to multiple fundraising efforts and have financially supported the Starlight STARS of Tomorrow youth performance troupe, giving hundreds of Kansas City high school students the opportunity to hone their musical theatre skills through professional training and performance. Their commitment to keeping arts accessible to all, particularly to young people across Kansas City has created a Starlight legacy.

Congratulation Howard and Ro! Your person involvement is what makes this recognition so very special (the two other recipients this year are publicly traded companies). You exemplify what makes good partners, good leaders, good citizens, and good friends. Well done.

Ward, Craig, and Howard

*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
Wealth Management with a Unique Focus {you}!*

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.

As a Registered Investment Advisor, Paragon Capital Management receives and collects non public personal information from various activities and statements. Paragon does not disclose such information unless instructed to do so by the client. We maintain physical, electronic and procedural safeguards that comply with federal regulations to guard your non public personal information