

# Dividend Assets Capital



DIVIDEND ASSETS CAPITAL - INVESTMENT STRATEGIES FOR RISING INCOME & GROWTH

## QUARTERLY COMMENTARY

September 30, 2018

The third quarter of 2018 revealed resilience in the equity markets despite a contentiousness in Washington and the threat of trade wars. The S&P 500 increased 7.2% for the quarter.

Why this resilience? The U.S. economy is very strong. Third quarter GDP is over 4%, unemployment is very low and both wage growth and inflation are modest. The Federal Reserve raised interest rates in September and is expected to raise rates again in December.

With rising interest rates, our goal is to protect and grow your capital with rising income through dividends and distributions. This is our philosophy since the founding of Dividend Assets Capital. Rising interest rates and full employment generally leads to increasing inflation. This is why rising income is so important.

Oil, gas, and natural gas liquids production is booming. This last quarter, the U.S. produced over 11 million barrels of oil per day, a new record. There is a debate if the U.S. or Russia is the world's largest oil producer. We are now an important exporter of oil, natural gas, liquid propane and ethane. These exports are helping to narrow our trade deficits since our imports of these commodities have been a real drag on our trade deficits in the past.

Our natural gas exports are through pipelines to Mexico and Canada, but we are exporting LNG (liquefied natural gas) via tankers primarily to Asia, but also to Europe. Fortunately, we have vast reserves of natural gas but not enough pipelines yet to allow gas to flow to export markets.

The trade situation improved in this last quarter. Resolution was reached with Mexico, the EU, Japan, South Korea, and on the last day of September, Canada was secured. The real trade tension now is with China, but hopefully this will be resolved. This trade dispute also includes the theft of intellectual property.

While Hurricane Florence spared us, it did extensive damage to parts of South Carolina and North Carolina with widespread flood damage reaching historic peaks. Dividend Assets Capital has a full disaster recovery plan and we took the storm very seriously. For the safety of our employees, we decided to implement our plan; closing the office and conducting business successfully from our remote locations. Our prayers go out to all who were impacted from this historic event.

We've had a good response to our Financial Planning software and have two Certified Financial Planners™ here. This is a free service, so please let us know if you would like to utilize it.

Going into the fourth quarter, we see a strong economy and excellent consumer sentiment which will drive earnings for the companies that are increasing dividends and distributions.

Again, thank you for being a valued client.

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S&P 500 refers to the Standard and Poor's 500 Index which is a capitalization weighted index of 500 stocks. Individuals cannot invest directly in the S&P 500 Index.

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