

# Summit Financial Strategies, Inc.

## The New Economy.....By Brett Langer

### INSIDE THIS ISSUE:

Investments	2
Photos	3
Favorite Recipe	4



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Home prices throughout much of the Country are at all-time highs. I'm questioned daily, "when are prices coming down and by how much?" Stock prices are near all-time highs. Bond yields touched all-time lows. When you drive on the roads, it seems as though there are people everywhere and they seem to be consuming. This leads to the main question: How can all of this be happening even though the economy can't seem to get past 1 ½% to 2% growth?

Let's first look at the overall economy. The economy today is supporting two types of workers. One, the highly skilled in key areas. If you happen to work in either technology or healthcare you're doing well in general. The 2<sup>nd</sup> type of worker is the blue collar skilled worker. After the housing collapse, many good contractors retired and left the industry. Now that the economy is improving, we are very short on skilled contractors. From roofers, tile setters, to plumbers, we are seeing a shortage to the demand that is needed. In regards to technology, firms are short in highly skilled individuals, from programmers to engineers, in creating and harnessing the next greatest thing. Healthcare speaks for itself. We have more money being spent in that area from an aging population and from newly insured people needing care.

So, what's causing the economy to run in slow motion? That question is currently being debated in the election process. We do see strong evidence for some of the reasons why we continue to grow more slowly. One is excessive regulation. There hasn't been a clear economic plan laid out to the American public. Instead, lawmakers continue to change and tweak the environment to try and get the results they want. The problem is when these knee jerk reactions occur and no clear vision exists, companies stock pile money not trusting the system. They become timid to invest more in R&D and employee development. We see the evidence of this as business investment is at its lowest amount in decades. Secondly, the healthcare rollout wasn't done very well or effectively. Costs to insure since Obama care started have shot up tremendously which in return spooks companies since it's a large expense to them. It's not our job to say why all of this has happened or not happened. All we can say is, it's effecting the growth in our country. We think if the next administration can create confidence in the system and move us to smart and efficient regulations that make sense, there is a lot of liquidity on the side lines that will get invested. I imagine that's why our election process is so different this year. We are looking for someone different than what the establishment is giving us. Ten or fifteen years ago, Bernie and Trump would never have gotten as far as they have. Today however, people want change to something different.

In regards to housing, we feel as though prices will stay on the higher side of the equations. We aren't real estate experts, but in talking to those who are, we are experiencing a lower supply of homes. More homes need to be built to offer supply to the current demand. One problem with this, it's getting more and more expensive to build. Remember, we are short contractors, which means the ones remaining in business are charging more. Material costs have risen. Lastly, the permits and fees to build on new land is also increasing. Since it's so expensive to build a new home today, pre-existing homes will remain elevated. *(continued on pg 2)*

## The New Economy...continued

The last thing I want to mention is that today's culture is transforming. I think our economy is adjusting accordingly. Many more people are wanting smaller homes located to convenient areas that they can walk to. We are seeing a big transformation in areas like down town Portland, Bend and Astoria, Oregon. More and more people like to walk out their front door to a craft brewery, restaurant, grocery store and mass transit. We are becoming a more sharing economy. Uber, Zip Car, and Air BNB are all parts of a sharing economy. We have transformed very quickly over the last five years. I've got clients who car pool to work by being Uber drivers. They pick someone up on the way to work and drop them off. What a concept - get paid to drive to work. I have other clients who will travel to Hawaii and trade homes with a person who lives in Maui for a week or two. That's what I call sharing. They'll even drive one another's car.

So, I think there are some positives being in a slow economy. We are very creative people in the United States and we learn to adapt and change. For some of us, we don't care for it at all. For others, perhaps it helps them afford a trip to Maui that they normally wouldn't be able to or at least helps them to spend their money on something other than a hotel. The other positive to a slower economy is the fact that it's tougher to build bubbles or excesses. When the economy is moving at a fast clip, it's easier for things to get ahead of themselves, not to mention the possibility for more fraud. Right now, I think we are seeing prices begin to level out. Stock prices have levelled out some over the past year, and home prices seem to be levelling out some too. The negative part of a slower economy is, it's tougher for some to get ahead. More and more people do get left behind economically. Prices for goods and services can rise, since companies decide to produce less and keep a higher margin on what they produce. Think housing construction. Builders in the past would build as many as they could at lower prices and it was all about volume. Today, builders probably aren't keeping up with demand which holds prices higher with less volume.

So with all of this in mind, the world isn't exactly where we all want it. What we are doing at our firm is to digest what's happening and where it is likely to go. There are some winners and losers in this economy, and we are trying to differentiate those for investment purposes. That's why for this quarter, I'm having Lisa write an article on areas we like for investments over the next couple of years.

Hope you and your family are enjoying summer. We continue to pray for good health and happy times!

### Lisa's Investment Commentary:

What scares you? Whether the elections, terrorism, or the Brexit push your panic buttons, focusing on what's wrong with the world is easy to do. Unfortunately, putting your focus in the wrong place can lead you into trouble.

Both of my twelve year old daughters are ballerinas and despite their brothers' insistence that ballet is not a sport, love to spend every extra minute practicing their spins in front of the mirror. If I tried to pirouette like they do, I know I'd be on the floor in a matter of minutes – OK seconds! However, they know how to spin and maintain their composure and it has to do with their focus. They have a spot where they place their focus.

That spotting is similar to what we do with the market. We evaluate the crazy environment we experience, but work to maintain a focus on trends that are consistent, places where we can look again and again to find reliable investment opportunities. These trends are almost self-evident when you take time to observe.

For instance, the growth in technology is a long term trend that is showing no signs of slowing down. Remember when cell phones first came out and you could buy that small suitcase to carry them in? We all debated as to whether or not we "needed" a cell phone, some claiming, "I'll never get a cell phone. People can just call me at home!" For the most part those debates have gone away and many of us don't even have a home phone. Now the big joke is that we have these incredibly powerful computers in our phones and we mainly use them, not to navigate to the moon or calculate important formulas, but to watch cat videos. You've all seen this recently with the virtual reality game Pokemon Go that people are playing so intensely that they are willing to step in front of cars and sadly fall off cliffs to find the Pokemons. In our neighborhood, one of my neighbors has a huge sign written in chalk on their driveway "Private property. NO POKEMON!" It's pervasive. And what does that mean to the investment world? (...continued on page 3)

.....Well, guess what? According to the NPD group who tracks retail trends, battery pack sales were up 101% for the two weeks after the Pokemon Go release with no other explanation than that game. Most likely, this specific game is a fad, but it represents the long term change in lifestyle and the market.

Speaking of Pokemon Go ... One lazy human who didn't want to do all the walking involved in playing the actual game, contrived a way to cheat at Pokemon by attaching his phone to a drone and sending it around searching for the Pokemon people. Evidently, he could fly the drone slow enough to trick the app into thinking he was walking, but obviously avoiding the exercise. While this is a hilarious and completely uncommercial use of a drone, the drone technology applications are simply astounding. Back in July, when the rest of us were at the pool, a start up in Nevada made the first FAA approved commercial delivery via drone. A customer ordered a slurpee, donuts, and a sandwich from 7/11 which was delivered via drone to the customer's house. We are fairly familiar with the established use of drones in warfare, but the NFL just obtained the right to use drones for sports photography. Other types of photography are already using drones daily. Walmart and Amazon are among the companies investing heavily in the shipping possibilities from drones, not just to customers, but within warehouses and from suppliers to warehouses. And, drones are expected to be used in all sorts of disaster and temporary situations from sending vaccine-laced M&Ms near endangered ferrets, delivering blood and medicine in Rwanda, performing marine mammal research, and providing extra cellular support at large crowd events. The FAA recently released much delayed and highly anticipated regulations that allow drones to be flown without a pilot's license. Industry and gamers alike are delighted.

Another spot to focus on is our human need for health care. The population is still aging, despite our best efforts. People are living longer and more people are able to access health care in the United States and around the globe. Add to these demographics the fantastic development of more treatments becoming available for more diseases and we have a sector with opportunity. I was speaking with a nurse in her forties this week who un-fondly reminisced about her finger injuries from taking blood pressure multiple times all day during her education rotations. That problem has been resolved by the automatic blood pressure machines. My watch takes my pulse, my weight, my activity and measures my sleep – all automatically. These are on one end of the health spectrum. On the other end, I have a dear friend who has a disease that just a few years ago was always terminal. Now, it is shifting into the chronic area, just because of increasingly sophisticated medication. A New York Times article this week discussed the amazing advances in immunotherapy and how a treatment can take a patient's own immune cells, alter them genetically to kill cancer and then infuse them back into the bloodstream. This is amazing stuff happening without regard to terrorism or whether the UK is in the European Union. The pricing of stocks in the health industry has been especially hit with political uncertainty and we believe hit too hard. This opens the door for investment opportunities for the choosy investor.

Choosing where to focus makes a huge difference in this crazy world. We are happy to spot the trends for you and keep your investments en pointe.



## The Summit Family Pics:





## Favorite Recipes

### *Mixed Berry Cobbler....by Kim Langer*

#### **Ingredients:**

2 cans biscuit dough  
½ cup sugar ( I used ¼ cup)  
½ cup flour  
½ tablespoon cinnamon  
¼ teaspoon salt  
1½ cups blueberries  
1½ cups strawberries  
1½ cups blackberries  
1½ cups raspberries  
½ cup sugar ( I used ¼ cup)  
3 tablespoons cornstarch

#### **Directions:**

\*Cut biscuits into small, triangular, even pieces (about 8 per biscuit) and place in a bowl. Sprinkle sugar, flour, cinnamon, and salt over the dough bites. Mix well.

\*In an 8x8 glass or metal pan, combine blueberries, strawberries, blackberries, raspberries, sugar, and cornstarch. Stir well and let cook in 350 degree oven until fruit starts to release its juices..about 5-10 minutes.

\*Cover fruit with the cinnamon sugar-coated biscuit dough in as even a layer as possible. Cover pan tightly with foil and put back in oven for 20 minutes. Take the foil off the pan and cook for another 10 minutes, or until dough is cooked through and golden brown.

Serve with a scoop of vanilla ice cream....enjoy!

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