



DECEMBER 2018



SADOFF
INVESTMENT MANAGEMENT LLC

SUMMARY AND CONTENT

Independent and Unbiased Since 1978

For four decades and counting, Sadoff Investment Management has helped its valued clients achieve excellent long-term results. We are dedicated to providing an unmatched level of service. Our conservative investment philosophy is one that emphasizes reduced risk and a disciplined, common sense investment approach. We have achieved excellent results following our disciplined investment strategy for over three decades.

We manage assets for a variety of investment accounts, including: individual accounts, trusts (all types), retirement plans (all types), corporations, foundations and partnerships. This report provides insight into the decision making process that supports the company's time tested investment strategy.

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THE SADOFF TEAM

Bryan, Ronald and Michael Sadoff

OUR EXPANSION CONTINUES

The global economic outlook looks cloudy. Our economy is mostly solid. Accordingly the Federal Reserve will continue to nudge interest rates higher. Yet they are unlikely to apply their monetary brakes as long as inflation pressures remain caged and the economy falls short of overheating.

Retail sales continue to climb. Third quarter earnings per share growth was up about 23% year over year. According to J.P. Morgan, 82% of the S&P companies beat their projected earnings. Gross domestic product climbed at an annual rate of 3.5% from July through September.

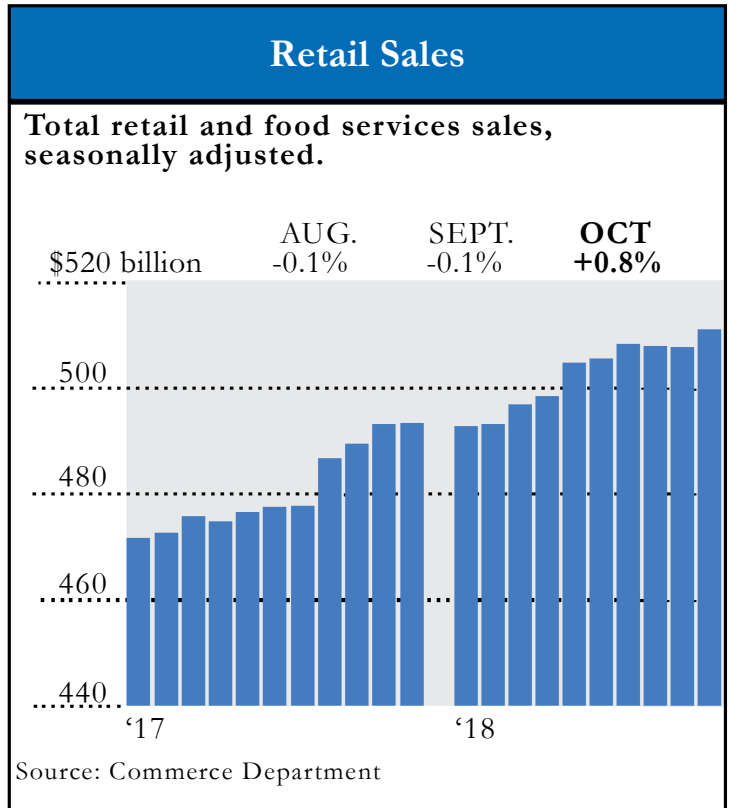


Chart courtesy of The Wall Street Journal

(continued on Page 3)



The four environmental factors, which determine the stock market's major potential/risk posture are:



For descriptions of the "environments" listed above, please visit us on the web at www.sadoffinvestments.com/definitions

OUR EXPANSION CONTINUES

(CONTINUED)

Inflows of repatriated cash climbed to \$105 billion in the second quarter from \$225 billion.

The service sector remains strong. This index tracks nonmanufacturing activity such as health care, finance, agriculture and construction. Readings above 50 reflect expansion. This service sector accounts for approximately two-thirds of the U.S. economy.

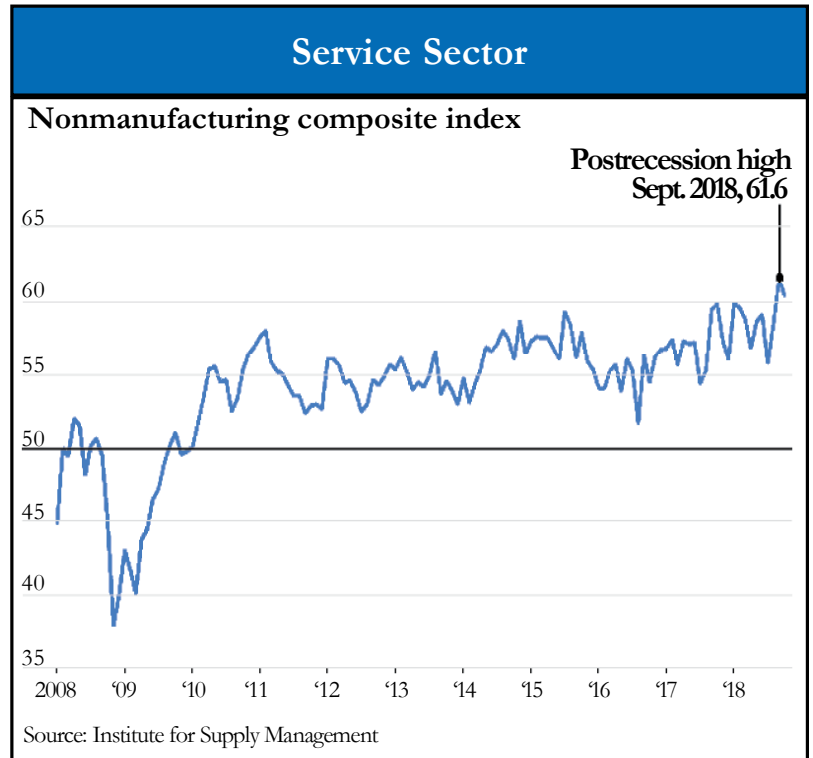


Chart courtesy of The Wall Street Journal

More positive news: U.S. companies continue their share buyback spending spree. Even Warren Buffett's Berkshire Hathaway has joined this stock repurchase wave.

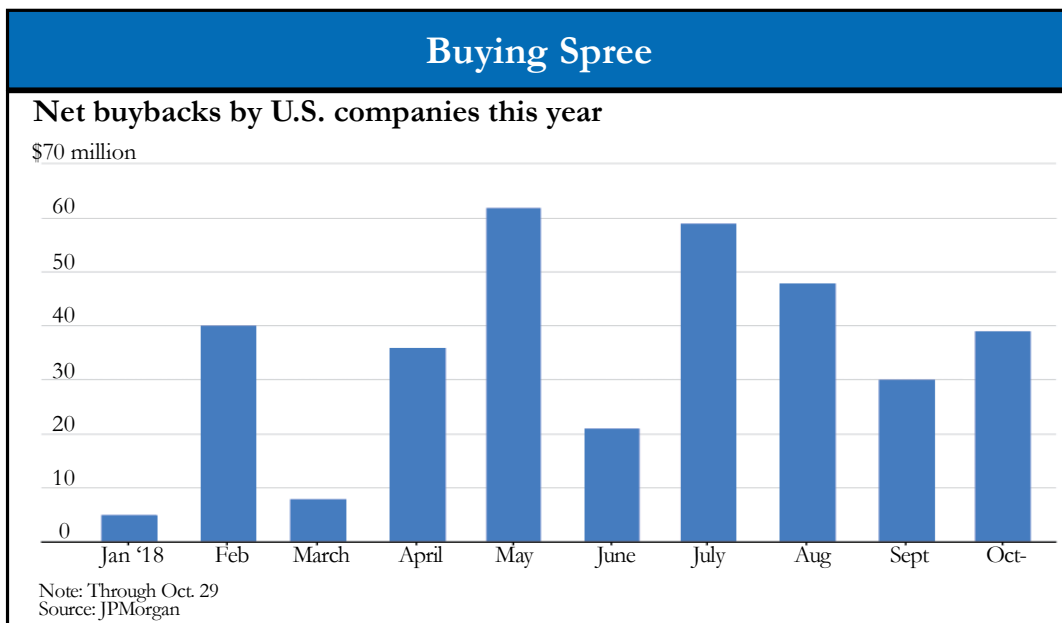


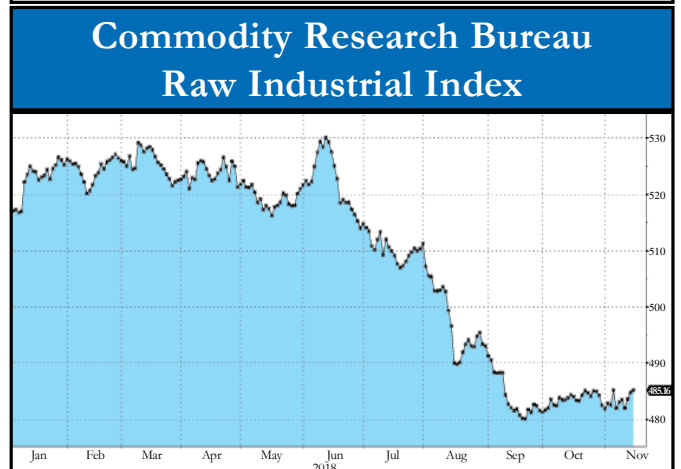
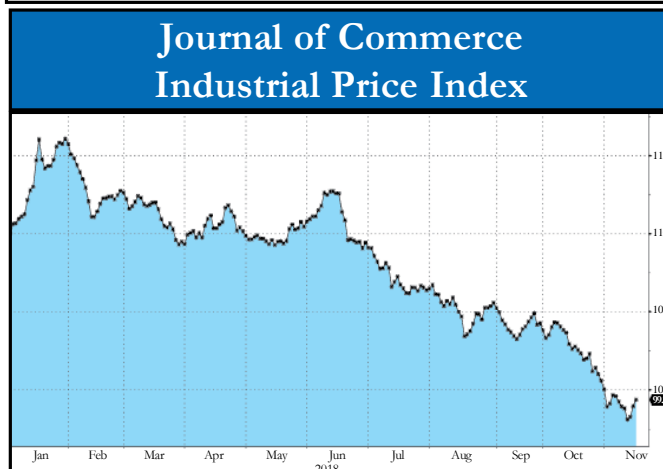
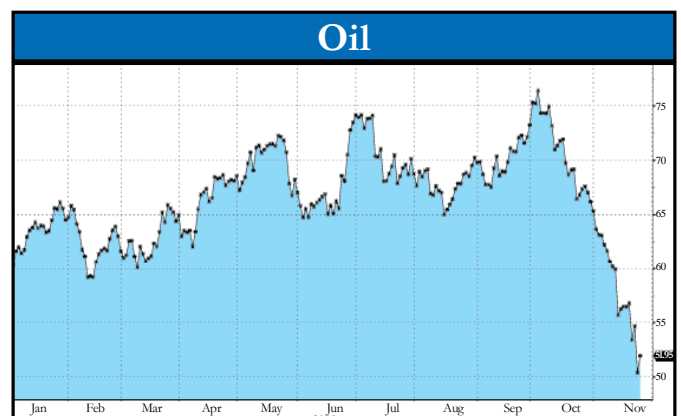
Chart courtesy of The Wall Street Journal

INFLATION UPTICK

The producer price index rose 0.6 percent in October versus September's 0.2% bump. Annualized, this wholesale inflation measurement gained 2.9% from a year earlier after a 2.6% gain. Translated: price pressures in the production pipeline are advancing. Yet the recent drop for commodity prices indicates future inflation pressures are softening.

The consumer price index climbed 0.5% in October, the largest gain since January. Excluding food and energy (the often volatile categories), the CPI rose 0.2%.

Most surprising is that commodity prices have recently plunged. A contributing cause is the rise for the U.S. dollar which has partly caused some of the price declines in oil, copper, steel and lumber (all priced in our U.S. currency).



The U.S. dollar recently jumped to its highest level in 1.5 years. The reason: expectations of higher U.S. interest rates and concern about the economics and politics abroad. The Wall Street Journal Dollar Index measures the U.S. currency against a basket of 16 others.

A strong U.S. dollar makes U.S. products less competitive abroad and nicks the profits of multinational companies when they convert foreign earnings into dollars.

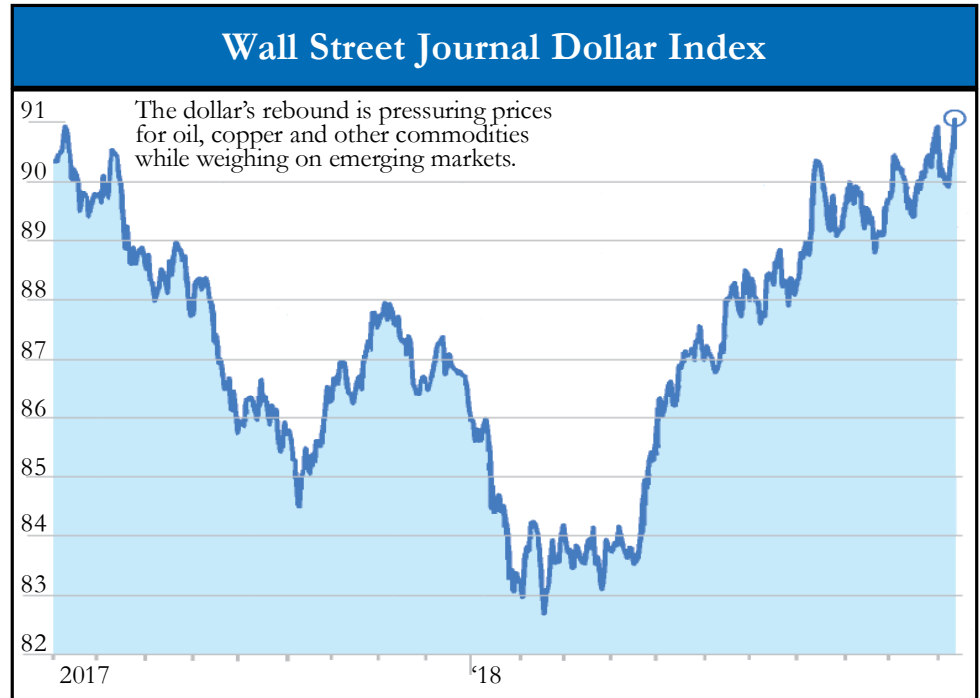


Chart courtesy of The Wall Street Journal

BEAR MARKETS AND RECESSIONS OVERLAP

The good news: no recession signs are on the horizon. Conclusion: this bull market remains intact and will continue. The October-November hard hitting stock market decline was simply a correction within a mega bull market; the 3rd 10% plus correction during this bull market.

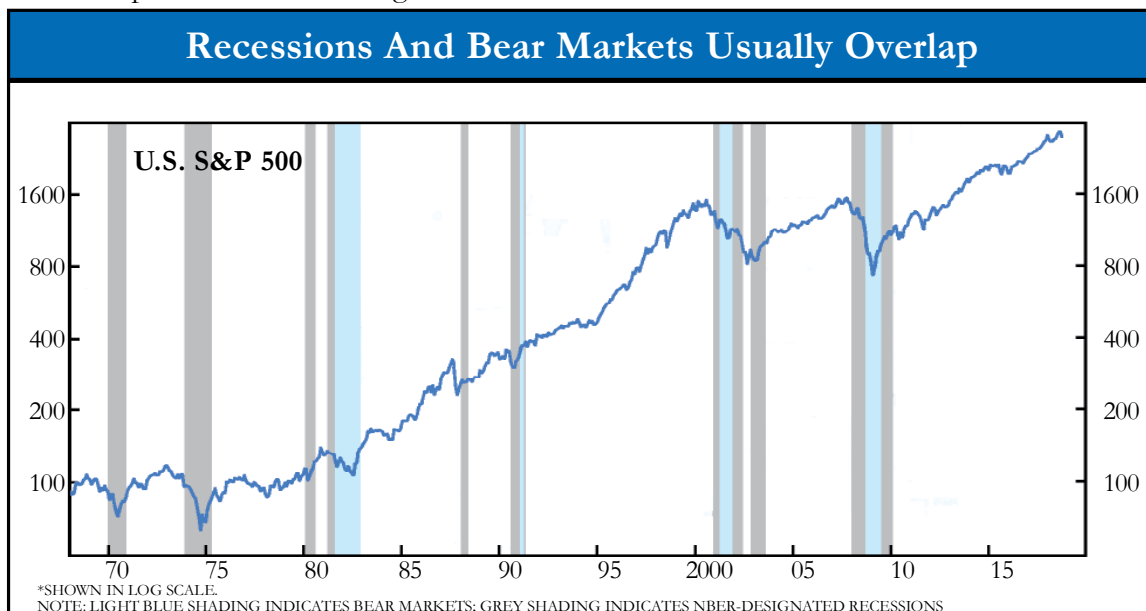


Chart courtesy of BCA Research

The above chart illustrates that recessions and bear markets overlap. Restated: no recession, no bear market.

BEAR MARKETS AND RECESSIONS OVERLAP

An excellent recession spotting barometer is the U.S. Leading Economic Indicator. It remains quite positive, confirming this expansion is still on an upward track.

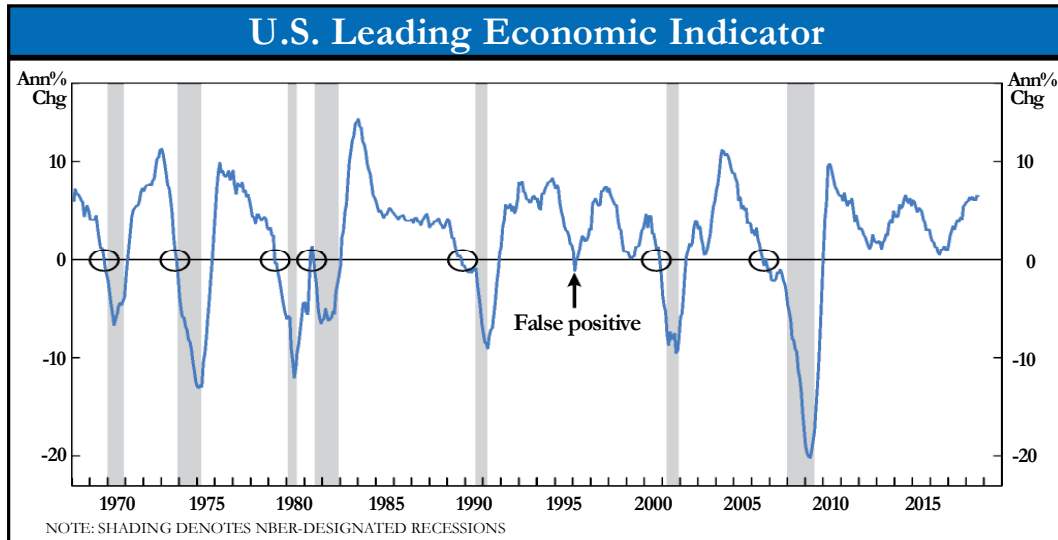


Chart courtesy of BCA Research

Historically, this measurement turns down in advance of a recession. A few of these leading indicators: new orders for manufacturers, building permits, average weekly hours in manufacturing and consumer expectations.

Another bullish business trend indicator is the yield spread between long and short term interest rates: still positive with the federal funds rate at 2.1% and bond yields near 3.1%. This still favorable yield curve coupled with a bullish Leading Indicator confirms this business expansion and bull market are tracking together.

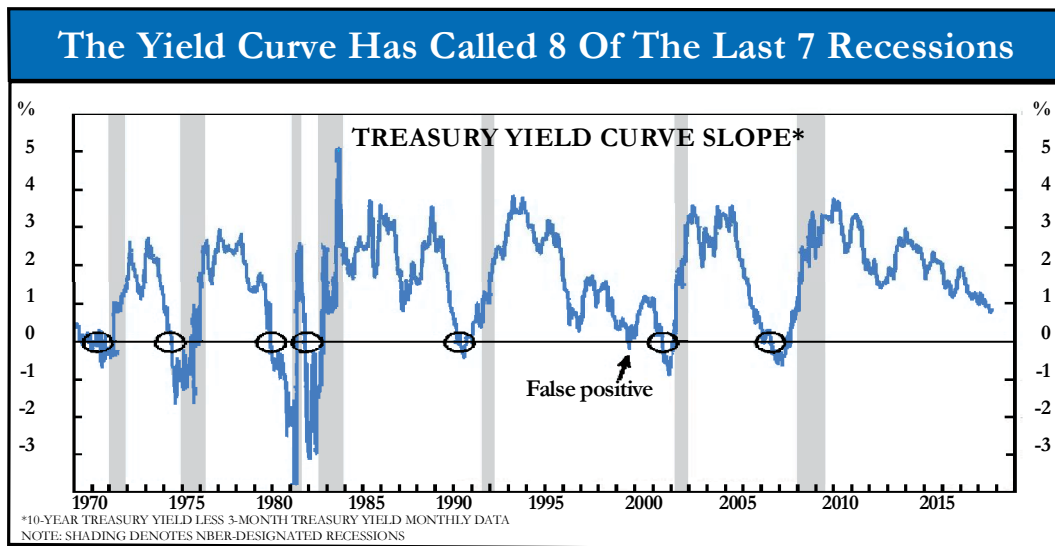


Chart courtesy of BCA Research

Our investing game plan when these indicators forecast a recession/bear market is to significantly reduce and/or sell our equity holdings.

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