



## This Old House (This New Office)

As you have likely heard by now, Rockwood is relocating our office later this summer to a historical Solebury home just down the road from our current office. We need a bit more space, and we have found a home where we can do our best work and where we think our clients will feel comfortable.

The address for our new digs is 6464 Lower York Road (a stone's throw from our current location). Our plan is to restore some of its latent resplendence, all while exercising care and stewardship of a property we are fortunate to call home. **Our goal is to honor the building's historical legacy, while creating a welcoming space for your family and ours.**



We were keen to understand the stories of the property's past owners—and our friends at the Solebury Township Historical Society were happy to oblige. The property was originally settled by the Ingham family (which includes a past congressman, as well as a judge and member of the Colonial Assembly). And one of the houses on the former Ingham property was owned by Budd Shulberg, an author and playwright. According to the Bucks County Traveller Magazine from March 1953, Shulberg had heard that Bucks County was “a suburb of Hollywood where writers, directors, and actors retired to vegetate and to hide out from story conferences and klieg lights.”

For the Ingham family, life on the property began after **Jonathan Ingham obtained the land from James Logan, William Penn's secretary, in 1747**. Jonathan Ingham served as a Bucks County judge and member of the Colonial Assembly in 1753-1755 and 1759, and the family operated a fulling mill. Jonathan and Debra Ingham (née Bye) had several children, including Dr. Jonathan Ingham, born in 1744.

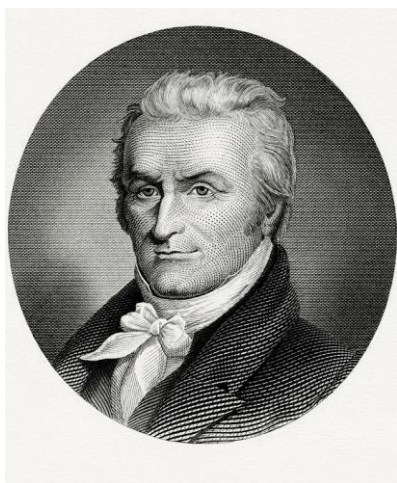
“*Ah gentle reader,  
as thou drawest  
near, To read  
th' inscription  
on this humble  
stone, Drop  
o'er the grace  
a sympathizing  
tear And make  
a stranger's  
hapless case  
thine own.*”

Jonas Ingham

Dr. Jonathan Ingham, in addition to operating the family farm and milling business, was a practicing physician. His brother Jonas took a different path and became an officer in the local militia. According to family lore, Jonas was active in the hospitals established when Washington's troops encamped on the property prior to the Battle of Trenton.

The above quote is from Jonas' communication about the death of a young British officer, a prisoner to whom he attended, to George Washington in the style of an elegy.

Continuing down the family tree is Samuel Ingham, son of Dr. Jonathan Ingham and wife Ann (formerly Ann Welding). Samuel worked as an apprentice to a papermaker along Pennypack Creek, and later as a manager of a paper mill in Bloomfield, New Jersey, before beginning his political career.



Samuel Ingham was a member of the Pennsylvania House of Representative from 1806 to 1808. From there, he served as a

## Italian Bond Brouhaha

Anyone following Italian politics surely has absolved themselves of any need for soap operas as entertainment. For those not following along, the country is wrestling with a power struggle between the Eurosceptic populist politicians (winners of the recent March election) and pro-EU establishment politicians. Most recently, Italian President Sergio Mattarella's rejection of the 5-Star Movement and far-right League's nominee for economy minister (who argued that Italy should quit the euro) has led to protests.

In the midst of all this, in late May, 2-year **Italian bond yields rose by 35 basis points in one day**—which, to provide context, is equivalent to the whole range this year for US 10-year Treasury bonds. Typically, bond yields move in the opposite direction of their price—meaning that

member of the US House of Representatives and Secretary of the Commonwealth of Pennsylvania, chaired the House Committee on the Post Office and Post Roads, and **served as Secretary of the Treasury from March 1829 to June 1831.**

A significant challenge occupied Samuel Ingham's energies while serving as secretary of the Treasury—resolving conflict between President Andrew Jackson, who viewed the Second Bank of the United States as an unconstitutional and dangerous monopoly, and Nicholas Biddle, the bank's president. Ultimately Ingham left the office over his involvement in the “Petticoat Affair,” which centered around the social ostracism of Peggy Eaton, wife of Secretary of War John H. Eaton, over disapproval of the circumstances of the marriage.

While Ingham's final resting place is at the Solebury Presbyterian Church, part of his legacy includes Ingham County, Michigan, which was named in his honor as a member of President Jackson's administration.

a higher yield corresponds to a lower bond price, typically a sign of concerns for risk from investors.

The European Central Bank trimmed its purchases of Italian debt (bonds) in May, prompting accusations from some politicians that the move was intended to discourage the newly elected populist government from entertaining Eurosceptic policies.

Now, the critical message we want to impart to you on this: **As a Rockwood client, you are free (and encouraged) to ignore the noise and negativity surrounding Italian bonds.** In fact, your portfolio contains no Italian bonds! By design, the bonds in your portfolio are used as shock absorbers that dampen the ups and downs you will experience during volatile markets.

While we continuously monitor the elements of risk that inform us about precisely which portions of the bond market to favor and which to avoid, we never deviate from our philosophical approach, but rather make minor adjustments in execution as needed.



Accordingly, as we observed unprecedented inflows into corporate investment-grade bonds (given the frustrations of income-centric investors seeking out higher yields in today's low interest rate environment), we could not ignore

the escalating risk that accompanies “yield chasing” behavior.

The recent rise in interest rates, coupled with tightening credit spreads between investment-grade corporate securities and the highest credit echelon of bonds (treasury, agency, municipal and other sovereign debt) meant that a measured and prudent shift in allocation toward higher credit quality bonds was warranted. Consequently, the bonds in your portfolio were adjusted before the start of summer.

Our evidence-based approach to investing rejects prognostication and instead uses the current yield curve and credit spreads to determine the optimal maturities and credits to seek out in the bond portion of your portfolio, based on the realities of the bond market as it exists today. **We (and you) can breathe easily as news of Italian bonds reaches our ears—for the news does not foretell an impending change to the fundamental structure of your portfolio.**

## The Acid Rain of Negative Media - by Nick Murray

On Friday, April 27, the Commerce Department released its initial estimate of US GDP growth in the first quarter of 2018. Two things leaped out of it that should have been of paramount importance to the informed investor, and it would be hard to say which was the more encouraging.

The first is that GDP was estimated to have grown 2.3% in the quarter. This was extremely significant in that the consensus estimate—the blended best guess of the entire economics profession going into the report—was 1.8%. Let me spell this out for you with emphasis, because it's about to become very germane to the point of this little essay. In 1Q18, economic growth simply blew the doors off the consensus forecast. Nobody saw this coming. **The first quarter of 2018 was better than everybody expected it to be.**

And just when you might begin to think this news couldn't get any better, note that 1Q18 also beat the living daylights out of the (directly comparable) first quarters of 2016 (0.6%) and 2017 (1.2%).

The second element of the current report that should have set bells ringing in steeples throughout the republic was that business investment—perhaps the most important harbinger of future growth in productivity and wages—continued to roar in 1Q18: up 6.1% in these 90 days, bringing the average for the past five quarters to an exceptionally robust 6.3%. The comparable figure for 2015 and 2016 was a negligible 0.6%. This is exactly what the economy will need to keep the already long economic expansion going.

What's that you say? You didn't know any of this? Indeed, as nearly as you can remember, the headline you saw said the economy slowed in

the first quarter? Dear reader, do not fault yourself. That's exactly what the headline said. "Economy slows in first quarter" was the essential headline, and the subhead was along the lines of "Consumers hunker down."



In fact, both observations were narrowly correct: 2.3% growth in the quarter was a slowing from the 3% of the previous nine months. And consumer spending growth, at 1.1%, was the lowest since mid-2013. (The latter may largely have reflected that auto sales boomed in 4Q17, perhaps due to year-end rebate deals, and then moderated in the first quarter.)

If you have not already figured out where this essay is going, let me finish spelling it out for you, again with proper emphasis. In sum, there were a couple of blazing positives in and about the first quarter GDP report, as well as a couple of statistically quirky negatives. **All of financial journalism led with the negatives. You had to dig for the positives, if they were reported at all.**

This is exactly what is happening to you, all day every day, as you attempt to stay current on trends in the economy and the markets. The narrative of financial journalism is always biased to the negative. So relentless and remorseless is that bias—and so thoroughly does it infect financial reporting—that the investor may simply cease to be conscious of it.

Over time, the negative bias in what we read and hear may begin to wear away at us—sapping our long-term focus, our patience and our investing disciplines. In that sense, financial journalism

potentially has a more direct effect on us than does other "news," because it makes us think, "This sounds bad; maybe I need to do something about it. Maybe I need to put some distance between my retirement portfolio and these looming negative developments/trends. If my portfolio does take a hit because I ignored these warnings, I'm not just going to feel impoverished, I'm going to feel stupid." You almost wouldn't be human if you didn't think this way on occasion.

This, as I've said so often in these essays, is a major reason why your financial advisor was sent into the world: **to help you not to make important investment decisions based on short-term—and insidiously negative—stimuli.**

On the other hand, she/he is not going to call you out of the blue and say things like "Don't pay too much attention to the hideously negative slant in the first quarter GDP report." Human nature being what it is, that might start you worrying about it even if you weren't worried before.

So by all means, when you feel a sufficiently negative itch, don't keep it to yourself. Call her/him, and ask (in this instance), "How did you read the first quarter GDP report?"

She/he may say, "It accentuated the negatives and buried the positives; what else is new?" Or "Nothing that happens in any calendar quarter can matter to someone like you who's investing for a three-decade retirement." Or even, perhaps, "I love you, but you have to stop calling me every time you read a scare headline."

But you'll have had a dialogue, and that's the point. You'll see something disturbing. You won't let it fester. You'll call the one person in the world whose job it is to keep your (financial) eyes on the prize. And you'll talk it through. That's the essence of what your financial advisor is there for.

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*Sources: Solebury Township Historical Society archives.*