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AAA to AA+

Yesterday, Fitch Ratings, one of the three largest American credit rating agencies along with Standard & Poor's and Moody's, cut its rating on the United States default rating to AA+ from AAA. Standard & Poor's made this downgrade in 2011. Yet, Moody's continues to have an AAA rating on U.S. Debt, their highest rating.

So what does this mean? Lower rated bonds need to offer higher returns given presumed higher risk. There is the argument that the U.S. is, and most likely will continue to be, the bond market for the world given the lack of alternatives. The market will determine the impact of the ratings change. In my opinion, any change in the pricing on U.S. bonds will be moderate given the global demand.

There are other ramifications of Fitch's downgrade. The greater the cost of carrying debt and the higher the percentage of GDP the debt is, the more imperative it is for Congress to find fiscal responsibility. Perhaps this is the catalyst for Congress but at some point, the U.S. debt levels will need to be addressed. Additionally, higher rates offer investors opportunities for return beyond stocks.

One of Charlie's heroes in our industry was Jamie Dimon, getting to know him when he was at Smith Barney. He was interviewed on CNBC today and the content was very interesting. You may be able to reach it on this link: <https://www.cnbc.com/live-tv/>. I think my favorite line is "It will be fine in the long run." Smart guy... and stock market investments should have long-term time frames.

As always, if you have any questions or concerns, do not hesitate to contact us.

"The best ability is availability. When you work with and for the best people in the business and you love what you do, showing up every day is a joy, but more than that, it is a privilege." -Charlie Cameron

LYN CAMERON, CFP® | Senior Vice President, Financial Advisor, Portfolio Manager

lcameron@dadco.com | p: 503.863.5085 | f: 503.863.5095

CAMERON WEALTH PLANNING

222 SW Columbia Street, Suite 1400

Portland, OR 97201

www.cameronwealthplanning.com

Members of D.A. Davidson & Co.

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