



## MONTHLY UPDATE: FEBRUARY 2019

### Dear Clients:

According to James Surowiecki, *"If being the biggest company was a guarantee of success, we'd all be using IBM computers and driving GM cars."*

### The Month of January in Brief

The stock market had its best January in 32 years. That's right, you read that correctly. A much-needed change from what investors experienced the last few months of last year. Strong manufacturing and payroll data provided further evidence that growth is likely to continue and that a recession is not likely to occur anytime soon.

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The Federal Reserve hinted that it may pause future rate hikes for now. This is a very different message than what was spoken roughly six weeks ago. We view this as good news and believe this will help with the volatility, we have experienced over the short term by easing the worries of those who have been skittish of what further rate hikes may do.

Most of the markets losses the last few months have recovered in the month of January. We want to use this as a moment to reinforce why we have a strong belief that you should let economics be an indicator of the markets and not the markets itself.

### Major Index Data

During the month of January both stocks representing the S&P 500 (SPY) and stocks making up the Dow (DIA) were higher from the previous month and both started the year off much stronger than expected. Bonds making up the U.S aggregate index (AGG) were up nicely as well from the previous month. The "SPY" and "DIA" outperformed the "AGG" for the month.

Index	Year 2019
AGG (Bonds)	0.91 %
DIA (Stocks)	7.26 %
SPY (Stocks)	8.01 %

(Source: Bloomberg)<sup>1</sup>

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1 - Source: Bloomberg



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### February Outlook

We continue to see more upside potential for stocks versus bonds. We think solid economic and earnings growth should help stocks move up, however, we are cautious over the short term due to unresolved issues such as the U.S/China negotiations, whether the government will shut down again temporarily or not, or will the Federal Reserve change their tune and decide to raise rates. These are just some of the examples of unforeseen events that could cause short term disruption or provide a short-term boost. For those reasons we have reduced short term and floating rate bond exposure in our TrueWealth model portfolios and added more intermediate bond exposure to provide a little more cushion for diversification.

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We think risk, as usual, will continue to exist in the market this year and volatility is likely to increase. We will continue to monitor this. It is our philosophy not to chase performance which tends to increase risk. We choose to focus on proper asset allocation per any given level of risk tolerance. We recommend strategies such as using fixed and indexed annuities, and short-term bonds as ways to reduce risk and portfolio volatility for more conservative investors. We appreciate the opportunity to serve you. Our goal is building your wealth and controlling your risk!

Thanks,

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