



MONTHLY UPDATE: JANUARY 2019

Dear Clients:

According to David Tepper, ***“Sometimes the hardest thing to do is to do nothing.”***

The Month of December in Brief

It was saturated with political and economic noise through news and media outlets that made investors nervous quite frankly. Hopefully our advice from last month’s update regarding tuning the news and media out helped settle nerves a bit. However, we know from years of dealing with investor psychology, it probably did not help. We stay away from making predictions on where the stock and bond markets go over the short term, because it is a losing proposition pretty much every time. Our value is in our investment process and how we go about making changes in portfolios through our in-house investment committee meetings. Here is the positive news that we want to share from our meetings.

We see a major disconnect with many views on the economy and predictions for a near term recession. Our research and tools we use helps to take our own emotions and bias out of our investment selection and money management process to keep us focused on what we believe really matters.

Our research and due diligence in studying key economic indicators do not support any view that a near term recession will appear anytime soon. We will eventually have one at some point. We want to see the evidence to support an economic downturn through our own research versus take what we read and hear as being accurate and factual. This happens frequently, and in our opinion, it is the number one reason that keeps investors from achieving their goals of growing their money over time.

We see investors get taken advantage of all the time. “For every seller, there is a buyer”. We like to remind everyone of this from time to time, because we feel it is important to really understand the psychology behind that statement.

Major Index Data

During the month of December, it was a volatile one to say the least. Both stocks representing the S&P 500 (SPY) and stocks making up the Dow (DIA) were lower from the previous month and both finished the year with a loss. Bonds making up the U.S aggregate index (AGG) finished up strong for the month and higher from the previous month. The “AGG” finished the year with a loss as well, however, outperformed both the “SPY” and the “DIA”.

Index	Year 2018
AGG (Bonds)	- 2.60 %
DIA (Stocks)	- 5.37 %
SPY (Stocks)	- 6.35 %

(Source: Bloomberg) ¹

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1 - Source: Bloomberg



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January Outlook

We continue to see more upside potential for stocks versus bonds. This has been a theme of ours for a while now, and we see this continuing, even though there will be bumps in the road like last year. We would not be surprised to see volatility continue for the near term until something positive such as earnings surprises, a deal made with China, and end to the government shut down, etc..... We are currently still watching three market related themes that we believe are driving the markets.

- 1. The Fed (raising rates too fast or too little.)***
- 2. Trade Fear (Right now this is with China, although it is looking more probable that the U.S. and China agree to a deal within the next six months of some sort)***
- 3. The Business Cycle (How much more do we have in the later stage with earnings growth? Our baseball analogy is still intact. We think we are in the 7- inning of a 9-inning game, reminding ourselves this could go into extra innings.) For now, tune out all the news and noise, and stick to an investment plan that makes sense for you given your individual risk tolerance. Adjusting as your objectives or needs change.***

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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