



MONTHLY UPDATE: DECEMBER 2018

Dear Clients:

According to Charlie Munger, *“it’s waiting that helps you as an investor, and a lot of people just can’t stand to wait.”*

The Month of November in Brief

The mid term elections wrapped up earlier in the month and it took a while for investors to digest the results. We saw no surprises. The major stock indexes we follow retested the October lows and once again showed more volatility, although not near as much as October. Overall, things appeared to be settling down a bit toward the end of the month with Real GDP growth reported coming in at 3.5% for the 3rd Quarter matching expectations. Federal Reserve Chair Jerome Powell also gave some positive comments and reiterated that the economy is still growing, and they see this continuing. This all likely lead to this year’s largest weekly gain for stocks to finish the month.

Major Index Data

During the month of November, it was still a volatile one, however a positive one overall for both stocks representing the S&P 500 (SPY) and for stocks making up the Dow (DIA). Bonds making up the U.S aggregate index (AGG) were less volatile and finished up slightly positive for the month compared to the previous. The “SPY” and the “DIA” are both up year to date while the “AGG” is down year to date.

Index	Year 2018
AGG (Bonds)	- 4.07 %
DIA (Stocks)	3.22 %
SPY (Stocks)	3.31%

(Source: Bloomberg)¹

December 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. It is very tough if you are a conservative investor in this market right now with most bonds prices trading flat or down as interest rates rise. In order to see anything meaningful in return we believe you must be able to have some stock exposure in your portfolio and be willing to sit through a lot of up and downs to see gains. We are currently 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? We like to use a baseball analogy and 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.

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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