WEEKLY MARKET COMMENTARY

For the Week of October 29, 2018

THE MARKETS

U.S. stocks fell sharply Friday. Amid disappointing corporate results, continued concerns over trade tariffs and rising wages and borrowing costs, the S&P 500 and the Dow Jones turned red for the year. For the week, the Dow fell 2.97 percent to close at 24,688.31. The S&P lost 3.93 percent to finish at 2,658.69, and the NASDAQ dropped 3.78 percent to end the week at 7,167.21.

Returns Through 10/26/18	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	-2.97	1.65	7.89	14.68	12.34
NASDAQ Composite (PR)	-3.78	3.82	9.31	12.49	12.69
S&P 500 (TR)	-3.93	0.98	5.85	10.94	10.86
Barclays US Agg Bond (TR)	0.54	-1.93	-1.17	1.03	1.91
MSCI EAFE (TR)	-3.87	-11.16	-8.29	2.76	1.51

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.

National Expenditures — Sixty-two percent of the $4.108 trillion of total outlays for the U.S. government during the recently completed fiscal year 2018 was in just four categories – Social Security ($988 billion), National Defense ($665 billion), Medicare ($589 billion) and Net Interest Expense ($325 billion) (source: Treasury Department, BTN Research).

Equity — The average loan-to-value ratio in the U.S. housing market as of June 30, 2008, was 55 percent (i.e., the average home mortgage had 45 percent of equity behind it). The average loan-to-value ratio in the U.S. housing market as of June 30, 2018, was 40 percent (i.e., the average home mortgage had 60 percent of equity behind it) (source: Federal Reserve, BTN Research).

Bull Return vs. Long-Term Average — The S&P 500 has gained 18.2 percent per year (total return) during the bull market run that began on March 10, 2009, and has continued through Friday, Oct. 19, 2018, larger than the index's trailing 50-year (1968-2017) average annual return of 10.1 percent (source: BTN Research).

WEEKLY FOCUS – Weathering Volatile Times

Experiencing market volatility is a normal part of investing in stocks. Still, when the market dips, it's natural to feel apprehensive and wonder how long the slide will last or what you should do. But just because the markets have been shaky the last few weeks, your knees don't have to be. Certainly, it's daunting to watch your investments go up and down – and even more unnerving when they stay down. After all, no one actually knows whether a decline is temporary or the beginning of a bear market.

Although no one can predict the future, panicked selling during a downturn is often the worst thing you can do. Think of investors who sold their stocks during the 2008-2009 market dive; they missed a massive comeback in the next five years that could have obliterated their losses.

To ride out the storm, focus more on your goals than the current news. Over the last century, the stock market has averaged around a 10 percent annual return. While past performance is not a guarantee of future results, most financial experts recommend adopting a long-term strategy when investing in the stock market. Investors trying to time the market by jumping in and out of it run the risk of selling low and missing periods of exceptional returns.

Turbulent times are a good reminder, however, to review your plan regularly. Consider how well it fits your investment time frame, your need for growth and the level of risk you're willing to take. Is your portfolio diversified adequately? Spreading investments over a variety of classes, assets and markets won't guarantee you won't incur losses, but it may limit them. You may want to make plans now to rebalance some of your holdings when the time is right, or you might view a downturn as an opportune time to purchase investments at reduced prices.

If you're still working, don't let temporary setbacks discourage you from making regular contributions to your retirement plan. Continue to invest a fixed amount at regular periods over the years, and you'll buy more shares of each asset when prices are low and fewer when they are high. Using this technique, your average purchase price should be lower than the average market price over the same period.

Finally, be patient. Although it may take some time, markets generally rebound. In the meantime, please feel free to call our office and set up a time to review your portfolio to ensure it suits your long-term goals and includes a plan for future market volatility.

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* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America, Securities offered through Securities America, Inc., Member FINRA/SIPC. SAI# 2296796.1