

January 16, 2019

Good Afternoon,

After the steep selloff that extended through Christmas Eve day, stock markets have taken a deep breath and realized things weren't quite as bad as imagined. The result is a solid rally that has many analysts thinking the bottom was reached on December 24<sup>th</sup>. Of course, no one knows for sure. As I stated previously, the sharp decline seemed to be overdone and those that held their ground are being rewarded for their patience.

As the partial government shutdown nears the end of its 4<sup>th</sup> week, questions are starting to arise regarding the negative impacts on our economy. There are estimates that each week of the shutdown reduces GDP by 1/10<sup>th</sup> of a percent. That's a pretty big deal in an economy that hopes to grow at 3% annually. We may not know the actual impact for quite some time as the statistics are compiled by a government agency that is closed! It would be ironic and concerning if our own government dysfunction sends the US economy into recession.

Great Britain is embroiled in a BREXIT battle and Prime Minister Theresa May could soon be out of job. Britain is scheduled to leave the EU on March 29<sup>th</sup> and there is no deal on the table that will minimize the potential disruption to the European and British economies. You might think that would provide an incentive to make it work, but there is also an opposite incentive to make leaving the EU as hard and damaging as possible—to discourage others. In fact, Europe has been quite tough in the negotiating process for that second reason. The last thing it wants to see is an easy and successful exit that could encourage other countries. The rest of the globe, especially Italy –which could be next – is watching very closely.

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As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

The weatherman says a big storm is on the way. Stay warm and have great week.

Wade

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