

Thursday, January 03, 2019

Good afternoon – and Goodbye 2018.

By almost any measure, 2018 was lousy for investors as we saw the worst stock market returns in ten years. The S&P 500 (large US stocks) Index fell 6.2%. The Russell 2000 (small US stocks) Index fell 11% and the EAFE (international stocks) Index dropped 13.8%. The bond market rallied in December to close flat for the year. Unfortunately, diversified portfolios had an assortment of declining assets in 2018. It was a year of contradictions as unemployment hit 50-year lows, yet fears of recession increased. Corporate earnings were very strong but stock prices sank into correction territory. Your December account statement is better left unopened!

The concerns investors experienced in 2018 continue into this year. BREXIT, tariffs and trade wars, global economic slowdown, Fed interest rate hikes, potential US recession, and lower corporate earnings are all still lurking. With the US government shutdown headed into its third week and the new Democrat majority in the house, we can add the “Washington Cold War” to the list. We are likely to see a choppy and frustrating start to 2019.

While it’s true that our economic expansion will likely slow and that we will eventually experience a recession, there is nothing imminent and the American consumer remains strong. As dysfunctional as our government appears, we’ve lived through tougher times and we will again. Stocks have priced in a very bad-case scenario and any positive surprises (i.e., trade deals, steady interest rates, decent corporate earnings, etc.) can result in big market rallies. We think some positive surprises are in the cards for 2019.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

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.

Have a great weekend,

Wade

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