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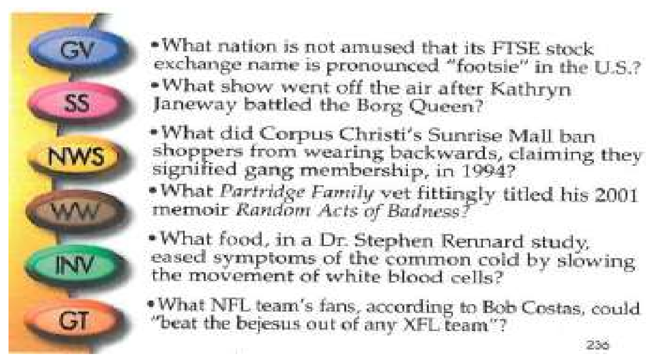
Seinfeld is one of my all-time favorite TV shows. I often find myself recalling some of the episodes during my own life. Recently, I was playing Trivial Pursuit with friends when a "stock market" question came up. The question was "What nation is not amused that its FTSE stock exchange name is pronounced *footsie* in the US?"
I smiled, looked at my friends and said that I had this one. The answer was England. To my chagrin I was told that this was wrong and that the correct answer was Japan.

I immediately remembered the Seinfeld episode when George was playing Trivial Pursuit with the "Bubble Boy". The question on the show was "Who invaded Spain in the 8th century?" The Bubble Boy answered that it was the Moors, which was the correct answer, but the card had a misprint and said "Moops" instead. A fight ensued and the bubble surrounding the boy burst. Unlike George, my friends were a little more understanding and no bubbles were burst. They allowed us to look up the answer and we were awarded the blue piece of the pie. We all understood mistakes are made, even on a Trivia Pursuit game piece.



Did the market make a mistake like Trivia Pursuit? News headlines such as "Worst December since the Great Depression" or "Worst Year for Stocks in a Decade" can really scare an investor. Both headlines are true, but we have to put them in perspective. Since the low in the S&P 500 Index a decade ago, it rose 341% to its all-time high in September. And while the S&P 500 Index did drop 20% from mid-September to the day before Christmas, we were up about 10% for the year before the pullback[1] .

One headline that you probably did not read is that "January of 2019 was the best performing January in the last 32 years." As of February 13, 2019 the S&P 500 is up 10% year-to-date and now down only 6% from its all-time highs[1].

I have seen the stock market over the years get overpriced, which most likely happened in September and then get oversold like it did in December. This usually will cause increased volatility and "V-shaped" recoveries. Please note that since World War II the S&P has seen fourteen 20% corrections and the economy went into a recession half of those times[2]. We recognize that the economy is not firing on all cylinders, but over the short term, we do not anticipate a recession.

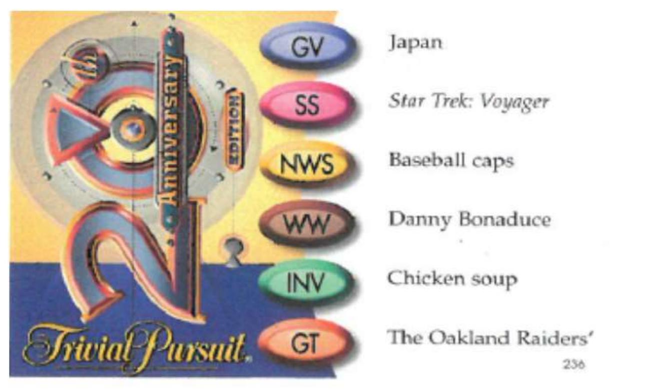
Even with the increased volatility that we have seen lately, our investment strategy has not changed significantly over the last two years. Our cautious stance on the U.S. stock market is due to various concerns such as:

- Uncertainty coming out of Washington, D.C. and the possibility of another shut down
- Trade wars with China
- The uncertainty of what the Federal Reserve will do with interest rates in 2019 and beyond
- Concerns that share buy backs are "propping" up the market. There have been over $1 trillion announced in 2018

While International stock price-to-earning multiples have been trading below average over the last few years, recent political uprising in France, an eventual conclusion for Brexit in the next few months and the trade war with China have us worried. Although we like Emerging Markets over the long-term, we feel that we should limit our investments in this volatile asset class for now.

The cautious theme continues even when it comes to fixed income investments. We are in a rising interest rate environment which is putting pressure on bond prices. We still see the bond market as a safe haven in the event of a large pullback in the equity market or a U.S. recession. For 2019 we would not be surprised to see the bond market squeaking out a small gain for the year, hopefully higher than the 0% return we saw in 2018. A lot of how the bond market performs this year rests on what the Federal Reserve does or does not do with interest rates.

While markets go up and down we stay focused on your long term goals. If you have any questions please do not hesitate to call or email me. We appreciate the trust you have in us. Take care and here is hoping no more "polar vortexes" to worry about for the rest of winter.



Sincerely,

Gregory Bork Jr.
LPL Registered Principal

[1]-Using S&P index closing values on Yahoo Finance
[2]- LPL Financial, Weekly Market Commentary 12/31/18

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