

Horizon Wealth Management

Weekly Market Commentary

October 28, 2019

The Markets

More money managers are feeling less bullish, but you sure couldn't tell by the performance of U.S. stock markets last week.

So far, 2019 has been a tremendous year for U.S. stocks. Through the end of last week, the Standard & Poor's 500 Index had gained more than 20 percent year-to-date, the Dow Jones Industrial Index was up more than 15 percent, and the Nasdaq Composite had risen more than 24 percent.

All three indices finished last week in positive territory. Lawrence Strauss of *Barron's* reported signs that global markets are stabilizing supported investors' optimism. In addition, yields on 10-year U.S. Treasury notes increased, which suggested "investors are more optimistic about growth and overall economic prospects."

Despite strength in U.S. markets year-to-date, *Barron's* most recent *Big Money Poll* found fewer money managers are bullish than just one year ago when 56 percent anticipated gains in the months ahead. When 134 money managers across the United States were asked about their outlook for the next 12 months:

- 27 percent were bullish
- 42 percent were neutral
- 31 percent were bearish

That's the lowest level of bullishness in 20 years and the highest level of bearishness since the mid-1990s.

Barron's reported there could be a variety of reasons for the change in attitude, including high valuations, an uncertain economic outlook, or the divisive political environment.

One money manager commented, "There are so many different headlines to watch right now...Brexit, trade, the economy, elections. Trying to predict them all correctly is like trying to predict what the weather will be like in November 2020. We might get things directionally correct, but getting them exactly right is a matter of luck more than skill."

Data as of 10/25/19	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.2%	20.6%	11.7%	12.1%	9.0%	11.0%
Dow Jones Global ex-U.S.	1.2	12.1	9.3	4.9	1.9	2.3
10-year Treasury Note (Yield Only)	1.8	NA	3.1	1.8	2.3	3.6
Gold (per ounce)	1.6	18.1	23.0	6.0	4.3	3.7
Bloomberg Commodity Index	1.1	3.6	-6.1	-2.6	-7.4	-5.2

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, MarketWatch, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

HOW MUCH IS TOO MUCH? In 1986, *Fortune* magazine asked Warren Buffett his thoughts on inheritance. He responded children should receive, "...enough money so that they would feel they could do anything, but not so much that they could do nothing."

It's an important question, even though relatively few Americans may need to grapple with it. According to the *Federal Reserve*:

- 55 percent of inheritances are less than \$50,000
- 85 percent of inheritances are less than \$250,000
- 93 percent of inheritances are less than \$500,000
- 98 percent of inheritances are less than \$1 million
- 2 percent of inheritances are more than \$1 million

A 2015 survey conducted by *Merrill Lynch's Private Banking and Investment Group* found, "a majority (91 percent) of people plan to leave the lion's share of their wealth to family members, motivated by a desire to positively influence the lives of loved ones. Yet the results indicate that many see significant risk in passing on wealth without context, conversation, guidance, or accountability."

So, how much is too much? Is there an amount of inheritance that will sap your children's motivation and undermine their work ethic? The answer may depend on the source of the wealth, reported *The Atlantic*:

"Perspectives on what constitutes 'too much' seem to vary depending in part on whether parents inherited their wealth or earned the majority of it themselves. When significant wealth gets passed down through multiple generations, inheritors can get the sense that 'they're just the caretakers of it', which means they might be more inclined to keep up the family tradition and will it to their own children...Self-made rich people can have a different relationship to their fortune, because they have firsthand knowledge of what was required to amass it. As such, they might be more interested in bequeathing not just money to their children, but a good work ethic as well."

If you would like to discuss your legacy and its potential impact on your heirs, give us a call.

Weekly Focus – Think About It

"We should not forget that it will be just as important to our descendants to be prosperous in their time as it is to us to be prosperous in our time."

--Theodore Roosevelt, 26th President of the United States

Best regards,

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P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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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. You cannot invest directly in this index.
- * All indexes referenced are unmanaged. The volatility of indexes could be materially different from that of a client's portfolio. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment. You cannot invest directly in an index.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- * The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
- * International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- * Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

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