Vineyard Financial Group

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Winter 2019

I hope your Christmas and New Year holidays were ***peaceful, joyful and blessed***! Another turn of the calendar presents us with a new year – 2019. I've recently been musing with friends and family that, as a child of the 1960s, any reference to the year 2000 sounded very far away and very futuristic as a boy. That futuristic perception was reinforced in many baby-boomers' minds by a children's animated TV program called "The Jetsons". Well, it's 2019, and I'm still waiting for that "futuristic" lifestyle – especially the flying cars, robot meal preparation and robot housecleaning! Maybe by 2020?

Market & Economic Comments

Economic fundamentals and corporate earnings have continued to provide a solid foundation for expected stock growth. Due to very strong volatility during the 4th quarter of 2018, many analysts feel that stocks are now very over-sold, and attractively priced, with the S&P 500 PE now around 15. Most of the volatility was headline driven, rather than any fundamental problems, in my view, and headlines were mostly driven by rising interest rate prospects, as well as tariff war concerns with China, and the concern that the global economy may be slowing down a bit (ex-U.S.). One notable outcome of that last concern, besides the selloff of stocks, was the decline of oil prices, with a potential global economic slowdown portending more over-supply of oil.

One other item of note: according to ***Vance Howard of Howard Capital Management***, about 85% of all trades during the 4th quarter selloff were generated by computerized trading platforms, driven by algorithms that have nothing to do with the human factor, or investor decisions to sell. These algorithms tend to produce a "cascade" effect on stocks, once selling gains traction. It took until December 24th for the cascade to find a bottom – at least, for the time being. This is the new hi-tech reality of stock trading, now.

Keeping a Long-Term Perspective

According to ***By The Numbers Research***, "the S&P 500 has gained an average of +9.8% per year (total return) over the last 50 years (i.e., 1969-2018). The index was down in 2018 but has been positive in 14 of the last 16 years. Over the long-term, the S&P 500 has been up during 39 of the last 50 years, or 78% of the time."

For 2018, the year-end index value was down -4.40%, including dividends, from January 1, 2018. From the September 20 high value of the index for 2018, the S&P declined -19.78% by the close of the market on 12/24. Not very much of a Santa Claus rally – it felt more like coal in our portfolios! It avoided becoming a technical bear market by .22%!

Outlook For 2019

I am expecting more volatility for 2019. If the administration manages to somehow unlock the equation to a new trade deal with China, and the Federal Reserve moderates its views on interest rates, I believe it's possible the stock market could go back to its September levels, or higher, when combined with the good economic fundamentals that presently exist.

To reduce volatility and risk, while potentially enhancing returns over time, many of our clients have incorporated a suitable level of alternative (non-traded) investments in their portfolios. As a result, they have experienced significantly less volatility in Q4 of 2018 than portfolios ***without*** non-traded alternatives, and dependent only on stocks for growth. Also, there are guaranteed fixed investments that are designed to capture potential market upside, without the risk of downside loss. If you would like to analyze your portfolio for opportunities to further diversify for safety and/or volatility reduction, please call our office at (918) 488-8588, opt. 5. I'll be happy to conduct a complimentary review with you.

I hope 2019 is a year of great progress toward your goals - financial, personal…and even "futuristic"!

Best regards, RB

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