Ginsburg Financial Advisors, Inc.
Personal Financial Planning & Investment Management
Larry P. Ginsburg, CFP® **Adele Ostomel, CFP®**

phone: **(510) 339-3933**
fax: (510) 339-1611
LGinsburg@GinsburgAdvisors.com
AOstomel@GinsburgAdvisors.com
www.ginsburgadvisors.com

Heightened Uncertainty Increases Stock Market Volatility

Rocky Ride to Smooth Sailing?

Do Not Let Volatility Prevent You From Attaining Your Goals

A heightened level of uncertainty among investors over the past couple weeks has led to an increase in volatility within the financial markets. This uncertainty has been driven by the escalation in trade tensions between the U.S., China, and other major trading partners and concerns over decelerating global economic growth.

Additional uncertainties causing stress in the financial markets include the United Kingdom's potential "no deal" exit out of the European Union (also referred to as a "hard" Brexit) on October 31, 2019, rising geopolitical tensions in Hong Kong and the Middle East, and an inverted U.S. Treasury Bond yield curve where short-term Treasury yields are higher than longer-term Treasury yields. An inverted yield curve typically occurs just prior to or during the beginning of a U.S. economic recession.

As discussed in our latest newsletter (as of June 30, 2019), while these factors have increased the frequency and breadth of stock market price fluctuations, we anticipate continued opportunity towards positive portfolio returns over the next twelve months. For most of our clients, we have previously taken steps to reduce the impact increased financial market volatility has on the value of their investment portfolios. We will also consider making additional adjustments to client portfolios should macroeconomic conditions and geopolitical events significantly deviate from our expectations.

Recent trading action within the Standard & Poor's 500 Index ("S&P 500") has felt like taking a ride on Six Flags Magic Mountain's X2 roller coaster. (Only Jack Bellamy, CFA, CFP in our office has done so!) Since reaching its all-time high of $3,027.98 on July 26, 2019, the S&P 500 has dropped 6.2% as of market close yesterday, August 14. Further adding to the "excitement" of this recent ride, the S&P 500 experienced a one-day decline of 2.9% as of market close yesterday, its largest daily decline since December 4, 2018. While such abrupt price movements may be hard to absorb, especially given relatively benign market fluctuations over the past 10 years, the recent volatility falls well within historical long-term (normal) trading patterns.

The S&P 500's average annual intra-year decline has been 13.9% over the past 39 calendar years or more than 2x that of the current sell-off. Encouragingly, the S&P 500 still managed to generate positive annual returns in 74% of those years. Yesterday's daily decline also marked the 121st time the S&P 500 has experienced a daily drop of 2.93% or more since 1950, which is not uncommon considering this equates to over two daily drops of this magnitude or greater per year over the last 69 years. If history is any guide, we may experience at least one more daily drop in the price of the S&P 500 of 2.93% or more by year-end.

We appreciate that heightened market volatility may increase clients' anxiety about the financial markets. We also know that our clients are more likely to attain their financial goals and preserve the future purchasing power of their investment assets by avoiding short-term "market timing" decisions and remaining fully invested. Our client-specific investment strategies are continually positioned to reflect the financial goals and risk tolerance of each our clients. We attempt to reduce the desire for clients to pull their money out of the markets, especially at the wrong time, by utilizing multiple asset classes to construct and maintain a well-diversified investment portfolio. We further strive to minimize overall risk and deliver more predictable returns by owning reasonably priced assets with promising growth prospects.

Generally, we have methodically reduced client weightings in U.S. stocks over the past couple of years, in favor of more reasonably priced foreign securities and industry sectors that are better positioned to outperform the broader stock markets over the next 3-5 years. We have also shifted some U.S. stock exposure, which is now about half of what we typically advocate owning, to alternative assets and real assets, which have a lower overall correlation (i.e. relationship) to traditional stocks and bonds. Within bonds, we continue to increase the overall quality for most of our client bond holdings while reducing the general sensitivity of their bond investments to credit (i.e. default) and interest rate risks.

We would not be surprised to see the S&P 500 approach its historical intra-year average decline over the near-term without any material headlines (or tweets) related to progress towards a U.S. and China trade deal. We also expect more volatility ahead of the upcoming Brexit deadline, but ultimately this event could serve as a potential catalyst for heightened interest in international developed market stocks. While the U.S. Treasury yield curve remains inverted, we believe the inversion has been driven more by global central bank activity and softening international growth dynamics than an immediate deterioration in U.S. economic activity. Our client portfolios are constructed to reduce the volatility associated with these events and to benefit from a continued rise in stock valuations. We continually question the robustness of our economic and financial market views, and we will adjust client portfolios accordingly if these views dramatically change.

As always, please contact us if you have any questions or concerns about your investment portfolio. We welcome the opportunity to discuss your goals and the most appropriate strategy to attain them. We are also honored to speak to any of your friends, associates, or relatives should they have an interest in our financial planning or investment management services.

This information is compiled by Ginsburg Financial Advisors.

Unless otherwise noted, financial data are as of June 30, 2019

The views stated in this newsletter are not necessarily the opinion of Cetera Advisor Networks LLC and should not be construed directly or indirectly as an offer to buy or sell any securities mentioned herein. Due to volatility within the markets mentioned, opinions are subject to change with notice. Information is based on sources believed to be reliable; however, their accuracy or completeness cannot be guaranteed.

Nothing in this presentation should be construed as offering or disseminating specific investment, tax, or legal advice to any individual without the benefit of direct and specific consultation with an investment advisor representative. Information contained herein shall not constitute an offer or a solicitation of any services. Past performance is not a guarantee of future results.

All investing involves risk, including the possible loss of principal. There is no assurance that any investment strategy will be successful. A diversified portfolio does not assure a profit or protect against loss in a declining market.

No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The opinions expressed are as of the date published and may change without notice. Any forward-looking statements are based on assumptions, may not materialize, and are subject to revision.

All economic and performance information is historical and not indicative of future results. The market indices discussed are not actively managed. Investors cannot directly invest in unmanaged indices. Please consult your financial advisor for more information.

Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.