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"It's springtime. To get a hit you must step up to the plate"

By Tommy Williams, CFP®

Last week, major U.S. stock indices finished higher for the 10th time in 12 weeks. Bond markets moved higher, too, with the yield on 10-year Treasuries dropping just below 2.6 percent. Yields on 10-year Treasuries haven't been this low since January 2018. We can legitimately call that a stock and bond rally.


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The simultaneous rallies are curious because improving share prices are often an indication of a strong or strengthening economy. Improving bond prices tend to be a sign of weakening economic growth, reported Michael Santoli of CNBC.

Why are U.S. stock and bond markets telling different stories? It may have something to do with investor uncertainty. A lot of important issues remain unsettled. The British government appears incapable of resolving Brexit issues, the United States and China have not yet reached a trade agreement, and recent economic reports have caused investors to take a hard look at the U.S. economy.

Barron's pointed out investors appear to be hedging their bets by favoring utilities and other stocks that have bond-like characteristics and participate in the stock market's gains. An investment strategist cited by Barron's explained:

"The strength in utilities reflects the attitude of investors who 'don't really buy the rally'…While they're skittish, they still want to participate in the stock market rally but opt for its most conservative sector."

We've seen this before with stocks and bonds, according to a financial strategist cited by Patti Domm of CNBC. *"It's a little bit of a funky correlation. We've had both things rallying, which is strange. This is what happened in 2017, when all asset classes did well. In 2018, nothing did well…I would suspect it goes away soon."* I propose that we enjoy these market moves when they happen. Somewhat like nice spring weather.

Also, times like these illustrate the importance of having a well-diversified portfolio. I received numerous comments from you last week as I discussed the quirky nature of the amazing 10-year run in the markets we just experienced. I still intend to talk more about the value of rebalancing your diversified portfolio, but I just have to share one more set of interesting numbers to make my case.

So, here goes. If the 2,517 trading days from the 10-year bull market for the S & P 500 through Friday 3/08/19 are ranked from “best” to “worst” it looks like the following. The bottom 2,464 trading days (98% of all days) produce a zero total return. In the meantime, the top 53 trading days (just 2% of all days) create a positive 400% total return. The S&P 500 consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value weighted index with each stock’s weight in the index proportionate to its market value.

So, once again, it is important to be invested – and very tricky to pick the right “time to be in the right stocks.” Though it seems that most things in life come down to timing (good or bad). The statistics consistently bear out a fact – to enjoy success in investing you typically have to ride out some bad days to capture those really good days. Of course, this all assumes you are investing in fundamentally sound things and have enough time for the ride!

And yes, I would be remiss if I didn’t circle back and mention an update in record breaking. This week Mike Trout agreed to a $430 million deal to stay with the California Angels making him the highest paid player in sports history. Soon we may call upon the ball players to pay off the national debt!!

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