

## **Mills Wealth Q1 2019 Market Update**

### **What A Difference A Quarter Makes**

In the investment world, Wall Street has been known to prey on investor's relatively short memory of the past, but I would like to remind you of Dec 25<sup>th</sup>, 2018, barely 100 days ago. Markets appeared to be in free fall with many stock indexes down in excess of 20-25% depending on index one looked at, well into bear market territory.

This quarter, markets rebounded sharply posting one of the better quarters on record, with almost all major indexes well into positive territory. For a look at how market indexes performed [click here](#).

Prior to the 4<sup>th</sup> quarter market decline, investors have had no material market declines in the 10 years following the financial crisis, and many investors we spoke with were beginning to see patterns where none may have existed. Here are a few things we have heard investors say recently:

"It has been 10 years since markets have declined, a decline has to happen any day now,"..."it's time for a correction, "the markets have a major decline every decade"..."see I told you so"..."etc.

There has been much written in academia about how our minds work. A great book on this subject is ***Thinking Fast and Slow*** by professor Daniel Kahneman. ([Get Here on Amazon](#)) The takeaway is our mind will try to trick us with the many short cuts that have been engrained into how we think, which helped us survive for thousands of years. We have all experienced fight or flight, unfortunately, as humans we are hardwired to be emotional and act irrationally at times. When investing, those emotions rarely lead to long-term success. Many of the best investors I've encountered in my 20 years of advising have been unemotional and calculating investors. The reality is markets rise much more than they fall, and bad market declines happen infrequently, and despite the pain of a temporary loss, markets do not decline for long (as judged by the long-term). Most major market declines last 3-5 years, a blip of time when considered over a client's entire investing journey.

#### **As we look at the markets here are some of the positives:**

- The bond market is also being influenced by negative interest rates in several international regions, which appears to be pushing investors into higher-yielding U.S. securities; while also expressing confidence that inflation will remain contained.
- For those more optimistic side, the labor market remains strong, with jobless claims recently hitting a 50-year low
- The unemployment rate remains at a historically low 3.8%

#### **On the negative side of the equation:**

- Retail sales in February fell 0.2% from the previous month, durable goods orders fell by 1.6%, and orders for non-defense capital goods ex-aircraft—considered a proxy for business spending fell 0.1%—continue their declining trend.
- On the trade front, pessimists could easily point to the fact that there is still no firm China-U.S. deal, the threat of European auto and airline subsidies tariffs has escalated (with retaliation likely coming from the European Union), and the growing likelihood that the USMCA (former NAFTA) will have trouble getting through Congress. We would be remiss if we didn't also mention the



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possibility of a border shutdown between the United States and Mexico, recently threatened by President Trump; Caveat: he recently said there would be a “one-year warning” on such an action, but that tariffs on autos from Mexico are also possible. (1)

Based on this data, I am not smart enough to know if markets will rise or fall in the short run, but we will take advantage of any opportunities as they present themselves. The majority of the rebalancing trades we placed in January added to returns as markets rebounded and we feel it was a success.

As always, if you have any questions feel free to reach out to us with any questions.

-Mike Mills, CFP

**Other Resources:**

[Market Commentary: Déjà Vu All Over Again](#)

[MWA's Q1 2019 Quarterly Market Review](#)

[White Paper--Perspectives on Premiums](#)

[A recent piece that compares older funds of Dimensional Funds to their returns to their respective benchmark returns](#)

(1 )Source: From <<https://www.advisorperspectives.com/commentaries/2019/04/12/stocks-vs-bonds-whos-right>>