

Winter Storm Hits Markets February 9, 2018

Stocks have made an abrupt about-face in the early days of February after marching steadily higher in January, a continuation of the bull market party in place since the election in late 2016. The declines in global markets have wiped out the gains from January and then some. The fireworks have been a stark reminder that stocks don't always go up—and when they go down, they often go down quickly. Including Friday's late-day rally, stocks are down over 8% from the highs hit on January 26.

Corrections are actually quite common. According to the historians, we should expect a 10% correction at least once a year. Amazingly, we did not even have a 5% correction last year. As a result, many investors had become quite complacent. Investors had become so used to smooth upward trending stock prices, any correction was certain to feel more gut wrenching.

Despite the incredible volatility of the past week, this correction has, so far, been in line with recent corrections. Below, I list the three most recent corrections along with the amount of time to hit the first significant low:

- 07/21/11 – 08/08/11 -18% 3 weeks
- 08/17/15 – 08/25/15 - 9% 1 week
- 12/29/15 – 01/20/16 -10% 3 weeks

As we have reported in recent Interim Market Updates, we have been building up our cash allocation as stocks have fallen. As our holdings trip through their exit points, we sell them. The table below shows our current equity percentages as we head into the weekend. If weakness continues into next week, those equity percentages will drop to zero, but if stocks can mount a recovery, we will be looking to add to those positions. In our experience, though, after this type of volatility it usually takes a while before markets calm down and begin to move higher again.

Strategy	Equity % (Jan. 31)	Equity % (Feb. 9)
Sector Rotation	96%	96%
Tactical Growth	95%	55%
Core Equity	95%	60%
Conservative Growth	75%	35%

Income & Growth	50%	10%
Income	0%	0%

We thank you for your patience during this challenging time in the markets. Please call or email us if you have specific questions for us.

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 Director of Portfolio Management

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