


Rochester Financial Services

Fee-Only® Financial Management Services

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December 7, 2018	Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Earnings Yield (S&P)	Crude Gold	Oil	
	24,389	2,633	6,969	1,448	2.85%	6.65%	\$1,254	\$52.47	

Investment Strategy Report

Stock Market Volatility Continues to Weigh On Investors

This nasty stock market correction has now entered its third month. This is a long time as far as corrections go, especially for those of us who closely watch the minute by minute gyrations on a daily basis. What makes this correction worse is that it actually consists of multiple sell-offs followed by multiple recoveries. After topping out on Oct. 3rd, stocks corrected to a low on Oct. 11th. The S&P 500 then rebounded 3 times to the 2,800 level and subsequently corrected 3 times to the 2,630 to 2,640 level, the level at which we are currently sitting. Having to live through one correction is tough enough. Experiencing a total of 4 corrections goes a long way towards trying an investor's patience, to the point now, where I'm sure everyone wants nothing to do with the stock market.

The reality is that we are sitting now at the same levels that we were at on Oct. 29th and Nov. 23rd, yet it feels worse because we have been hit with corrections so many times. Today's negative market action is especially disappointing after yesterday's dramatic recovery. After being down around 780 points, the Dow finished the day down only 79 points, a 700 point recovery. Each time we see a rebound, we feel that the worst is over, only to be disappointed. Last week the S&P 500 was up 6.0%, its biggest weekly gain in 7 years, only to see the Dow drop 800 points on Tuesday.

On November 25th, Bob Brinker (BobBrinker.com) came out with a stock market alert, stating that "the conditions are now in place to justify an upgrade of our stock market view to "attractive for purchase". [It is] our view that the S&P 500 will ascend to new record highs in 2019. We would regard any additional short-term weakness as a continuation of the bottoming process".

In today's weekly update, Louis Navellier begins by saying "What would you say if I told you that in exactly 9 business days, we could see a big market rally?" He goes on to say that a dovish statement from the Fed meeting on Dec. 19th could spark a rally. He too feels that "this week's pullback is a great buying opportunity. Stocks are grossly oversold and good stocks always bounce ...".

Back in September, all the talk was how well the economy was doing, with no recession in sight. The talk in the past few months has changed significantly. Investors are concerned about 1) a slowing global economy, 2) a significant decline in long term interest rates which could be indicating a slowing economy, and 3) the continuing trade dispute with China. Most economists feel that even if the economy does slow, it should continue to do quite well with no signs of a recession.

During the past few weeks, the market has rallied on what has appeared to be good news. We did hear Fed Chairman Powell give some market friendly comments which sparked a temporary market rally. We also have heard periodically about progress being made with talks with China. However, the rallies have proved to be short-lived and the selling has resumed.

With the market now sitting at its previous low points of the past 2 months, the action next week will of course be critical. If stock prices can find support at these levels, we can be set up for a year end rally. If this support fails to hold and the market continues to decline, I will need to look into taking a more defensive posture.

IRA Distributions – By now, all of you who are required to make IRA distributions should have done so. If you haven't, please call me (if I don't call you first) so that we can take care of this before the end of the year. *Jeff Feldman*

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