It's only been two weeks since we last reached out, but considering the recent volatility, we wanted to quickly share a few items with you.

First, click here for our 3rd Quarter 2018 market review. Due to a technical issue we didn't include this in our last communication. As you'll see, the US Stock market looks very different today than it did a few weeks ago.

Thru last Friday's lows, the S&P500, Russell 2000 (small caps), and the Nasdaq had all fallen over 10% from their recent highs just a few weeks ago. This correction has been quick and widespread. The average stock in the S&P 500 is down more than 20% from its highs.

Markets overseas look even worse as virtually all global markets are now in negative territory for 2018. Further, hard assets and commodities have also fallen, providing very few places to hide.

What caused this pullback? While no one knows for sure, most in the media cite the Fed raising rates, a slowdown in China, tariffs, politics, and the mid-term elections in 8 days, among other reasons. None of those are 'new', or surprising.

The bottom line is the US stock market was flirting with new highs in late September and is correcting in a hurry. Some have questioned whether the market is predicting a recession? While the economy will undoubtedly slow down at some point, (a) by the time economists confirm we're in a recession, we're usually on the way out of it, and (b) the stock market has a horrible track record of predicting recessions. Click here for "Can the Stock Market Predict the Next Recession?".

The 9+ year bull market has provided several corrections along the way. The last several years when sentiment readings got stretched along with an exhaustion of selling, in general, those were solid opportunities to add exposure. When those indicators lined up earlier this month we again added US Stock exposure to our core portfolios. However, after a brief rally, the market continued to selloff. So, it is quite possible that we're going thru a 'change of character' in the markets. That is also quite normal. Click here for and Intra-year volatility chart.

One thing to keep in mind during times of serious volatility is that <u>markets go up **AND** down, not up **OR** down</u>. In other words, while this selling has been a bit relentless, we expect buyers to return as earnings reports continue to come in strong. Thru Friday, 84% of the S&P500 stocks that have reported earnings were either in line or exceeded expectations. This pullback is providing opportunity.

The article 'Higher Highs and Lower Lows' breaks down the number of 'up' days vs. 'down' days over the last 29 years. We find it somewhat amazing **over the last 3 decades there have only been 500 more up days than down days in the US stock market, or 17 days per year on average. Staying invested to participate in those days led to a 669% return in the S&P500**.

As this last chart illustrates, corrections are certainly worth the wait. Please do not hesitate to reach out with questions or concerns.

Thank you.

Sincerely, Your LJI Team