

MARKET UPDATE

October 2018

In what is shaping up to be a volatile year in the financial markets, the Dow Jones Industrial Average slipped into correction territory for the second time in 2018, while the S&P 500 Index was also on the cusp of a 10% retracement. This broad-based sell-off in stock prices comes as major corporations have been reporting 3rd quarter earnings results that have been encouraging, both from a revenue and profitability perspective. In analyzing October's equity performance month-to-date, we have observed that the high-flying technology stocks have suffered the most, while share prices of more mundane dividend paying companies have fared better.

There are many potential causes for market volatility that can range from world geopolitical tensions to economic developments impacting business conditions. In this case, the markets are digesting new information from companies as part of their quarterly earnings reports, while also absorbing announcements regarding trade. On the earnings front, we have heard from approximately half the major corporations, with the overall message being good. Conversely, updates regarding China / U.S tariff negotiations have had an unsettling effect on markets, and can be attributed to the recent sell-off.

Being cognizant of stock market history and tendencies, we recognize that October is historically a difficult month for stocks and has been associated with choppy markets in the past. Conversely, mid-term election years have demonstrated a bullish seasonal pattern for fourth quarter equity performance. While observations like these do not guarantee future outcomes, they do illustrate how the completion of mid-term elections have the potential to sooth market nerves.

In closing, we find corrections can be healthy for the markets, and even capitalized on by composed investors. Staying focused on one's longer term objectives and goals is critical, while avoiding the natural inclination of panic selling. As in the past, our ongoing research will continue to focus on investment fundamentals, with the end goal of identifying quality opportunities with appropriate risk-reward profiles