

15 Things To Consider
February 6, 2018 Interim Market Commentary

It's been quite a while since the talking heads on the financial news have written such scary and ominous headlines. One pronounced this is now the worst month in six years! Words like "crash" are thrown around with a seriousness that gives the impression there are bankruptcies littering the streets. This is reinforced by exclaiming "Markets fall 1,175 points—the worst decline in history!"

Certainly, there has been lots of volatility in the last three trading sessions.

BREAKING: Dow turns back negative, trades in wild 934-point range

However, here are a few thoughts on the financial markets:

- 1) Yes, the market is down about 8% from its peak.
- 2) After "plunging" 8% we are at the same level we were at on December 8, 2017.
- 3) Market drops of 7.5% or more happen about once every 7 months, on average.
- 4) Over the last 52 weeks the market is still up more than 15%.
- 5) Days like February 5th, in which the market falls by 4.6% are rare, but not unprecedented. Since 1927, the Dow has fallen by 4.6% or more on 90 occasions. Over the same time frame, the Dow has fallen by 2.5% or more at least 370 times.
- 6) Volatility gives the impression we are on some sort of "out of control roller coaster."
- 7) Volatility is not the same thing as risk.
- 8) If you are a short-term trader, we wish you well. If you are a long-term investor, you probably have little to be concerned with.
- 9) When we buy a stock for a portfolio, we are buying a business. That business has value because of its long-term ability to produce revenues and earnings. Volatility in stock prices has little to do with the long-term value of any business.
- 10) Cash and liquid assets are there to serve shorter-term needs.
- 11) The S&P 500 gained +5.7% (total return) in January 2018. It was the index's 15th consecutive "up" month. A 15-month streak has been achieved only one other time in the history of the S&P 500 (source: BTN Research).
- 12) The S&P 500 has gained +10.1% per year (total return) over the last 50 years (1968-2017) despite suffering through 7 bear markets of at least a 20% decline each time (source: BTN Research).
- 13) The S&P 500 earlier this year surpassed 395 trading days without a 5% decline. This past the previous record held since the mid-1990's.
- 14) In 2017 the S&P 500 had only eight days of more than a 1% move. This was the lightest volatility since 1965.
- 15) If the US economic expansion continues into May 2018, it will rank as the 2nd longest expansionary period for the country in our history. Contraction and expansions for the United States have been tracked since 1854, i.e., the last 163 years (source: National Bureau of Economic Research).

			S&P	S&P	Event	12 Months	36 Months	60 Months	Event End
Event	Reaction Dates	Start Value	End Value	Gain/Loss	Later	Later	Later	thru Present	
Pearl Harbor	12/6/1941 12/10/1941	9.32	8.68	-7%	8%	51%	76%	30313%	
Truman Upset Victory	11/2/1948 11/10/1948	16.70	15.00	-10%	8%	52%	62%	17259%	
Korean War	6/23/1950 7/13/1950	19.14	16.69	-13%	32%	45%	153%	15159%	
Eisenhower Heart Attack	9/23/1955 9/26/1955	45.63	42.61	-7%	8%	17%	25%	5966%	
Sputnik	10/3/1957 10/22/1957	43.14	38.98	-10%	31%	37%	41%	6454%	
Cuban Missile Crisis	8/23/1962 10/23/1962	59.70	53.49	-10%	36%	72%	78%	4654%	
JFK Assassination	11/21/1963 11/22/1963	71.62	69.61	-3%	24%	14%	53%	3566%	
Kent State Shootings	5/4/1970 5/14/1970	79.00	75.44	-5%	35%	40%	22%	3503%	
Arab Oil Embargo	10/18/1973 12/5/1973	110.01	92.16	-16%	-28%	12%	6%	2658%	
Nixon Resigns	8/9/1974 8/29/1974	80.86	69.99	-13%	24%	38%	56%	3756%	
U.S.S.R. in Afghanistan	12/24/1979 1/3/1980	107.66	105.22	-2%	30%	31%	56%	2329%	
Hunt Silver Crisis	2/13/1980 3/27/1980	118.44	98.22	-17%	37%	55%	83%	2480%	
Falkland Islands War	4/1/1982 5/7/1982	113.79	119.47	5%	39%	51%	147%	2141%	
U.S. Invades Grenada	10/24/1983 11/7/1983	165.99	161.91	-2%	4%	52%	69%	1493%	
U.S. Bombs Libya	4/15/1986 4/21/1986	237.73	244.74	3%	20%	27%	57%	993%	
Crash of '87	10/2/1987 10/19/1987	328.07	224.84	-31%	23%	39%	85%	967%	
Gulf War Ultimatum	12/24/1990 1/16/1991	329.90	316.17	-4%	32%	50%	92%	707%	
Gorbachev Coup	8/16/1991 8/19/1991	385.58	376.47	-2%	11%	23%	77%	572%	
ERM U.K. Currency Crisis	9/14/1992 10/16/1992	425.27	411.73	-3%	14%	42%	132%	538%	
World Trade Center Bombing	2/26/1993 2/27/1993	443.38	443.38	0%	5%	46%	137%	494%	
Russia Mexico Orange County	10/11/1994 12/20/1994	465.79	457.10	-2%	33%	107%	210%	476%	
Oklahoma City Bombing	4/19/1995 4/20/1995	504.92	505.29	0%	28%	122%	184%	417%	
Asian Stock Market Crisis	10/7/1997 10/27/1997	983.12	876.99	-11%	21%	57%	2%	190%	
Russian LTCM Crisis	8/18/1998 10/8/1998	1,101.20	959.44	-13%	39%	11%	8%	163%	
Clinton Impeachment Proceedings	12/19/1998 2/12/1999	1,188.03	1,230.13	4%	13%	-10%	-6%	114%	
USS Cole Yemen Bombings	10/11/2000 10/18/2000	1,364.59	1,342.13	-2%	-20%	-23%	-12%	89%	
September 11 Attacks	9/10/2001 9/21/2001	1,092.54	965.80	-12%	-12%	17%	36%	160%	
Iraq War	3/19/2003 5/1/2003	874.02	916.30	5%	21%	42%	54%	185%	
Madrid Terrorist Attacks	3/10/2004 3/24/2004	1,123.89	1,091.33	-3%	7%	32%	-26%	135%	
London Train Bombing	7/6/2005 7/7/2005	1,194.94	1,197.87	0%	6%	5%	-11%	117%	
2008 Market Crash	9/15/2008 3/9/2009	1,192.70	676.53	-43%	69%	103%	178%	250%	
Price Changes Only - Does Not Include Dividends			Averages:		-7%	19%	41%	68%	3493%
As of 2.5.18. Source: Al Frank using Bloomberg and Ned Davis Research Events & Reaction Dates									

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As always, let us know what questions you have. We are always happy to hear from you.

Sincerely,

Dave

Warren

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