# Sather Financial Group, Inc.

Private Wealth Management

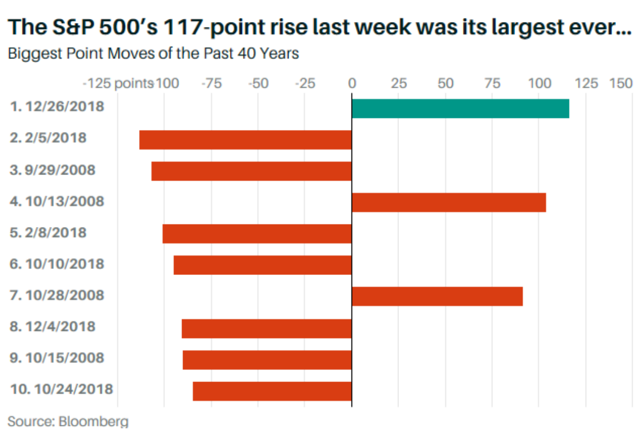
## End Of Year Commentary
## Trading Or Investing In 2019

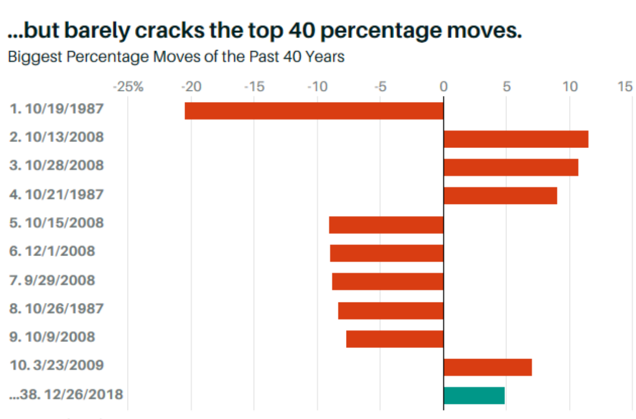
From the 3rd through the 24th of December the stock market fell more than 15%! The headlines were bold….

***"US stocks log worst year since 2008."***
***"Worst December stock performance since 1931."***
***"Worst Christmas Eve performance ever!"***
***"Corporate Profit Crunch Looms."***

One person we know liquidated their entire portfolio on December 23rd exclaiming they had analyzed the "charts" and everything was going down. They added that a recession was guaranteed to happen in 2020. The media chimed in with unending dramatization on the end of times as we know it.

Factually, prices (not sales or profits) did fall 15% in three weeks putting the yearly performance in the negative. December's performance was tough. Adding to investors worries are a variety of factors.


The federal government is currently shut-down.

Our president communicates in often impulsive bursts that can confuse and infuriate. Our politicians are at each other's throats.

We are in a tariff stand-off with China.

The Federal Reserve is increasing interest rates which pressures stocks.

Oil fell 25% for the year.

Debt levels are rising, and it appears that GDP ***growth*** is slowing.

The volatility is attention-getting.

That's a lot to digest…. even for professionals.

At points like this, it is imperative that people with money in the markets answer a question.

Are you trying to out "trade" the market?

If trading, you are trying to process and implement decisions based upon the flow of information each day, hour or minute. Good luck. You will not win that game. Wall Street will always have better information and faster computers. Even if your logic is right, the markets can be highly irrational for extended periods of time.

If not a trader, hopefully, you are an investor. An investor is simply a business owner.

Every day, I watch the Union Pacific railroad move goods back and forth throughout Texas. Take a step back and assume you own 100% of the Union Pacific and then the stock market falls 15% in three weeks.

Did the rail lose 15% of its track? Did the transporter lose 15% of its locomotives?

Obviously, not. The fundamental value premise remains intact.

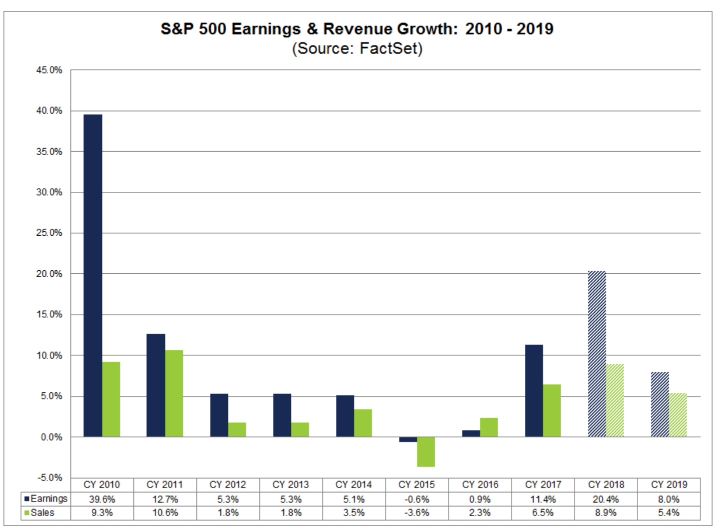
Similarly, between December 26 and 31, the market rebounded 7%. As it should be no surprise, the rail company did not increase its track, locomotives, sales or earnings by 7%.

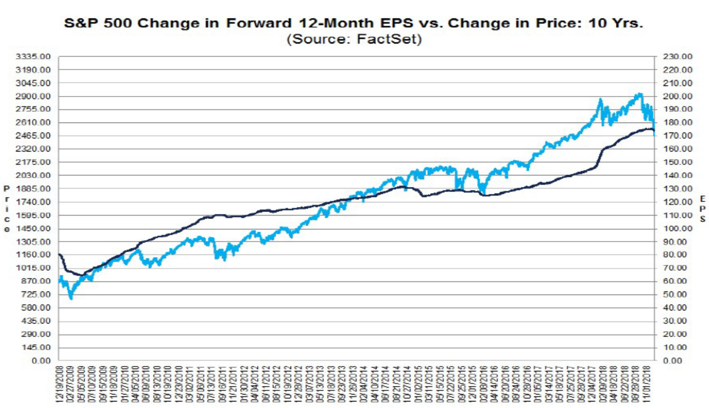
If you are a true investor/business owner you own assets because of their long-term ability to produce revenue, cash flow and profits. Long-term in our world moves in 10-year cycles. A long time-frame allows you to ignore the day-to-day minutiae and focus, instead, on the operating fundamentals of a business.

Now that we have outlined everything that is wrong in the world, here is a slightly different perspective that is not nearly as sensationalistic.

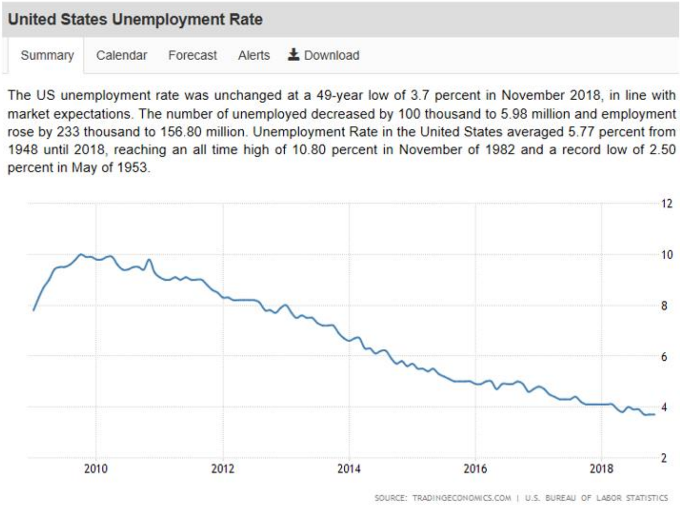
The Price to Earnings Ratio of the market is right at its 50-year average. The market is not expensive.

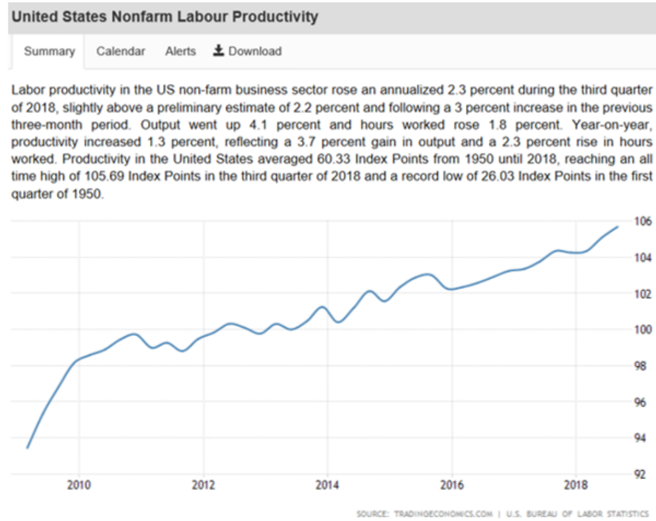
For 2019, sales for the companies in the S&P 500 are expected to increase 5.4% while earnings are growing by 8%. Profit margins of 11.8% are at record levels and growing!



Unemployment remains at a 50-year low and productivity is at a 50-year high.

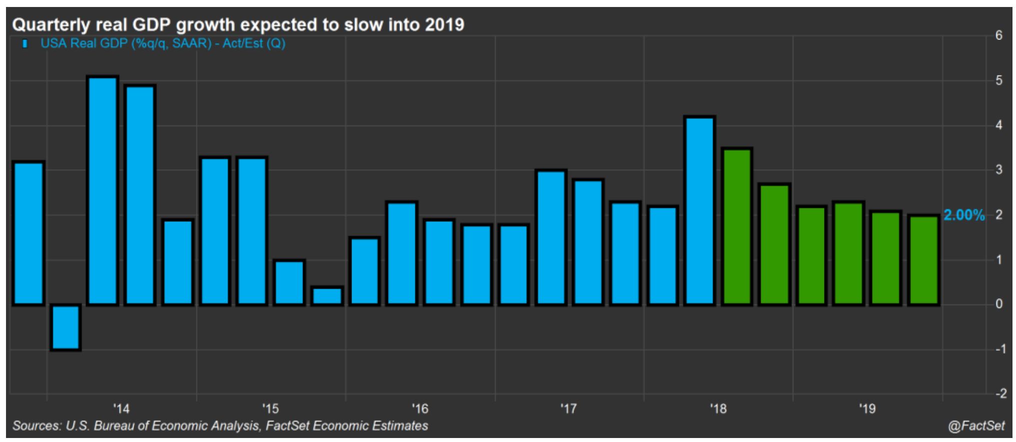


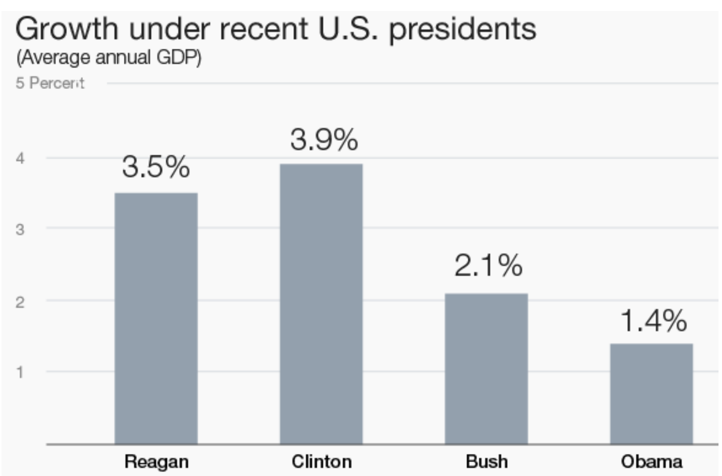




GDP is slowing.

However, it is NOT negative which tells us a recession is not a foregone conclusion.

GDP is projected to grow at 2.5% in 2019 and 1.8% for 2020.




This is higher than during the entire Obama administration.

Remember that markets are anticipatory.

If everyone "KNOWS" there will be a recession in two years, it is already priced in.

If the "SMART MONEY" is wrong, and things are better, there is good upside to your portfolio.

Interest rates have backed off. The 10-year US Treasury is at a modest 2.7%.


For every $1 decline in the price of gas the average family has an additional $700 to spend. This is highly stimulative as 70% of GDP comes from families spending their cash.


The government shutdown is largely theater.

The tariff stand-off will probably end…sooner rather than later. Both nations need a resolution.

As you assess your portfolio and investment goals in 2019, remain committed to being a long-term investor/business owner. Otherwise, understand that trading is just gambling…and you worked too hard to gamble away your assets.

Focus on the quality of strong business models and how a business will function over a 10-year cycle.

Turn off the "news." The media is not there to inform you. It exists to stir emotion and sell advertising.

Not only will this help you to focus on the long-term, but you will trade less, make better decisions and have more tax-efficient performance.

***When we look at all the data and opportunities, we remain cautiously optimistic about the financial markets.***

Lastly, it is with a very heavy heart that we finish 2018 and welcome the new year. Cyndee's passing was so incredibly unexpected. It remains surreal and we are all numb. All of our success was tremendously impacted by everything she did. As sad as this situation has been, we are comforted by the significant thoughts and prayers from clients, friends and family.

We wish you health and prosperity in 2019.

Sincerely,

Dave | Warren

Dave Sather, President
CERTIFIED FINANCIAL PLANNER

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CERTIFIED FINANCIAL PLANNER