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Market Comment

GATIEN STRATEGIC WEALTH MANAGEMENT

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2017 in Review and Outlook for 2018

2017 was a banner year for US stocks. While the Dow Jones Industrial Average (DJIA) flirted with 25,000 (and has since surpassed that mark), the broader S&P 500, NASDAQ Composite and Russell 2000 indices all finished the year at or near record highs, with all four indices notching gains between 13% and 30% (Source: FactSet).

Significant market gains were not limited to the US, as a period of synchronized global growth pushed international markets significantly higher as well, a welcome change from an unusually long period of underperformance of international stocks vs US stocks.

What's driving the market rally? In short, the US economy continues to grow at a slow but steady pace. Better than expected corporate earnings growth, the aforementioned global expansion, an increase in business investment spending, low US interest rates and steady growth in consumer spending are all positive factors.

Investors should be aware that 2017 was not a normal year for market volatility. The largest peak to trough pullback in the S&P 500 was a very mild drop of 2.5% in mid-August. According to JP Morgan, the average intra-year drop is 13.8%. Clearly, we are far from the average right now.

While all of the positive factors driving US economic growth appear to remain intact as we head into 2018, investors should be prepared for more modest returns

as well as increased volatility. A market correction, typically defined as a drop of 10% or more, is likely to happen sooner rather than later.

With the DJIA at almost 26,000, a 10% drop translates to a drop of 2600 points, which will make for sensationalistic headlines. Being prepared can help you keep calm in the midst of market turmoil. Remember that short-term market volatility is the price we pay for the longer-term returns we can experience as disciplined investors.



Careful planning and disciplined investing are the cornerstones of financial success. Preparing for market volatility can be as much about emotional preparation as it is financial.

Your portfolio has been carefully constructed based on long-standing investment principles such as asset allocation to balance risk and reward, and diversification to reduce risk by investing in a variety of asset classes. Those principles take into account the volatility inherent with investing and are designed to create a portfolio that provides you with the type of expected returns you need to reach your goals with the level of volatility you can tolerate on your path towards those goals.

Unless something has changed in your goals or time frame, it's counter-productive to abandon a well-thought-out investment strategy specifically built with your goals in mind during periods of uncertainty. For those of you depending on your portfolio for income,



our cash flow reserve accounts should be adequate financial preparation for a decline. If you do not depend on your portfolios for income, an adequate emergency fund should also suffice.

As always, if you are uncertain as to whether you are adequately prepared for a period of market volatility, please reach out. I'm always happy to revisit your goals, review your portfolio, and offer reassurance where appropriate or develop an action plan when needed.

As you're talking with friends, family or colleagues, please know that I'm happy to provide a second opinion or act as a sounding board if they have concerns about finances and investing that aren't being addressed. We live in a world of too much information, and having someone who can help cut through some of the noise can be extremely helpful, even if it's simply to provide confirmation that they are on track to meet their goals.

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Preparing for Tax Season

A few reminders as we head into tax season:

- 1099Rs for Individual Retirement Accounts are expected to be mailed on 2/1/2018
- Consolidated tax statements for taxable accounts should begin to be mailed by 2/15/2018, but can be mailed out as late as 3/15/2018
- As in years past, in order to reduce the number of corrected tax statements, if your portfolio contains securities that are expected to reclassify any of their 2017 distributions, the mailing of your 1099 will take place after we receive finalized information detailing how the income should be reported
- Note that tax documents are available online through Client Access on the mailing date! If you are not enrolled, please reach out to Krista and she will help you gain access
- We recommend waiting until mid-March before filing your taxes to be sure you have all of the documents you need and to avoid the potential of having to file an amended return

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