Hamilton-Bates
Market Update

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Halloween in December?
2018 has seen a 'December to Remember', but not in a good way. 2018 has seen the financial markets trade more like October's past, with a spooked market posting a decline during the year's historically strongest month. So far December 2018 has been the worst December since the Great Depression—back in 1931. There is still time for some sort of rally to occur, and it very well could due to some Pension Fund rebalancing which is likely to occur between now and the first two weeks of the new year. But unlike *A Christmas Carol* where Ebenezer Scrooge see's the ghost of Christmas future and changes his ways, the Fed Chair did hist best 'unrepentant' Scrooge this week– by hiking rates AND not being as dovish on the future as the market had hoped. The market didn't like what it heard and as a result the market dumped to new lows for the correction.

Don't Get Spooked by the Sell-Off
After another bout of heavy sell-offs, the market is now negative for the year, with the S&P down 16% from its peak, the NASDAQ 20%, and the Russell 2000 25%. Many sectors and individual stocks are down much more. The FANG stocks are down 25-30%, and former high flying chip maker NVIDIA is down 50%. As a result the media has hopped onto the bear-train, with headlines swirling calling for a recession, or even a crash. I've seen all sorts of articles published telling investors to run for the hills. When you combine market weakness with negative rhetoric surrounding the trade war, a potential cold war, possible impeachment, or even a constitutional crisis in the U.S. regarding the president's alleged legal issues, it's easy to see why many investors are fearful. However, with this backdrop in mind, I want to discuss factors that investors should pay attention to and those they shouldn't during volatile times like these.

Things to Ignore
While this certainly isn't easy with your life's savings and or retirement funds potentially on the line, its rarely in long-term investors' best interests to focus on the daily swings in the market. Short-term volatility can seem painful, but probably not as potentially harmful as short-term thinking when it comes to portfolio management. We have over 100 years of history showing that the stock market climbs higher over time. Rarely does selling a portfolio into weakness pay off. Even in 'bear markets', there are rallies lasting many weeks or months.

Things that Matter
When the market is in turmoil, it's best to focus on long-term goals rather than short-term fluctuations. Investors in 401ks, and those investing for retirement many years away, should realize that their time horizon is YEARS ahead, not what's happening in the market right now. TIME is their best ally, and even sizable drops will be recouped and then some by the time they retire. For long-term investors its TIME in the market that matters.

For investors closer to retirement, and those whose portfolios we actively manage, they can take a step back and focus on factors such as bond holdings, their dividend income stream, and sizable cash positions, all of which aren't as affected by market volatility. Most of our actively managed portfolios have had significant positions in bonds and cash—significantly reducing portfolio drawdowns from what they would otherwise be. By looking at these positive portfolio aspects through a broader lens, it's easy to see that a short-term correction likely hasn't destroyed long-term financial goals.

For now enjoy the Holidays—that is what matters.
Next week we will be putting out a larger INVESTOR PLAYBOOK for some specific steps that all types of investors can take should the current pullback last longer than expected.

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