



## March Madness

What a crazy year of epic upsets, shocking meltdowns, and volatile outcomes — and I'm not talking about basketball! This roller coaster of a first quarter has left nobody with a perfect investment bracket, but there's still time to position yourself correctly to claim your one shining moment by year end. With that in mind, let's take a look at the top investment themes thus far in 2018 and see which ones will advance to our 6th annual Investor's Final Four.

Coming out of the Midwest region, we have the Volatility Index (VIX) making an appearance after being absent from last year's tournament. The VIX is the market's so-called "fear gauge", and it hit an all-time low in 2017 and

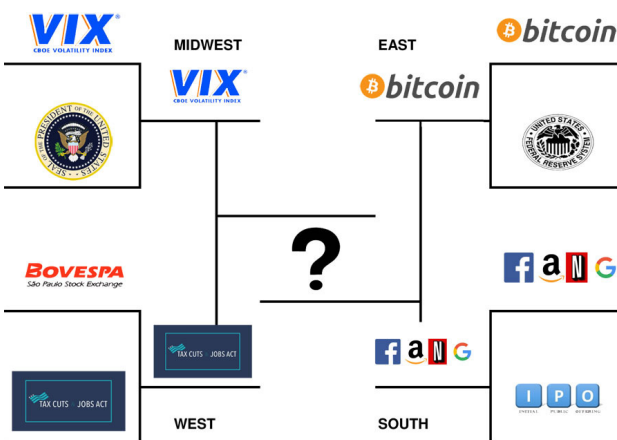
produced a year of record low volatility. So far in 2018, the exact opposite has come to pass. We've seen 7 moves of 20% or more in the VIX in the first quarter, which is the most ever. On the opposing sideline we have perhaps an equally volatile team led by Coach Trump.

POTUS takes credit for the impressive run in the Markets last year, but his coaching style has also contributed to the erratic flow of equities so far in 2018. While his program is still under FBI investigation, look for more staff turnovers and more zone coverage tariffs on defense to stifle POTUS's run deep into the tourney this season.

In the East, we have a perennial powerhouse under new leadership. The Federal Reserve has a new coach as of February, and Chairman Jay Powell has started off his tenure by following the playbook of his predecessor. Having eased off the full-court printing press of years past, the Fed now has taken more of a ball "hawk" defensive style. The Fed raised interest rates three times in 2017 and consensus points towards a repeat performance in 2018. This steady boring style of defense should curtail inflation, but leaves them susceptible to an upset early in the

tournament. Enter bitcoin — making its first appearance in the investor's bracket. This cryptocurrency is making headlines all over the world in 2018 and becoming a phenomenon that no one can ignore. While the meteoric rise since its founding in 2009 has caught significant attention, what garners the most consideration this year is the continued volatility and massive decline in value. From its peak in January, bitcoin dropped nearly 60% by early February. Stay tuned for more gaudy headlines, and don't be surprised to see an epic shocker like UMBC's dismantling of UVA.

In the South region we have a matchup between the old guard and a relative newcomer. So far in



2018 we've seen a resurgence in initial public offerings (IPOs). Especially those of the so-called unicorn variety. These once private companies with \$1 Billion or more valuations, such as Dropbox, Spotify, etc. have come to market with a lot of hype and delivered hot shooting in their first quarter of trading. On the flip side, the bluebloods of FANG (Facebook, Amazon, Netflix, and Google) have been underwhelming this year after providing market leadership in 2016-17. Talk of regulation in the computing world of data has investors spooked temporarily, but we wouldn't be surprised to see FANG return to top form before the year ends.

Finally, in the West we see a surprising top seed. The Bovespa, or Brazilian stock exchange equivalent of the S&P 500, is the best performing global index through the end of the first quarter. Don't bet too much on this Cinderella story as most pundits think it will be difficult to replicate the 11.73% year to date performance in later rounds. Their opponent, The Tax Cuts & Jobs Act (TC&JA), enters the field after making a buzzer beater in the

### 2018 Market Update

<b>S&amp;P 500</b>	<b>-0.76%</b>
<b>DOW</b>	<b>-1.96%</b>
<b>RUSS 2000</b>	<b>-0.08%</b>
<b>MSCI World</b>	<b>-2.19%</b>
<b>BONDS</b>	<b>-1.46%</b>
<b>GOLD</b>	<b>+2.01%</b>

### Mortgage Rates

<b>15-Year</b>	<b>4.0%</b>
<b>30-Year</b>	<b>4.5%</b>
<b>5/1 ARM</b>	<b>4.0%</b>

### Did You Know?

- The negative quarter for the DOW broke a 9 quarter winning streak, its longest streak in 20 years.
- This year's personal income tax filing deadline is April 17th due to April 15th falling on a Sunday and the 16th being Emancipation Day.
- Traditional and Roth IRA maximum contributions remain the same for 2018 at \$5,500 (or \$6,500 if you're over 50).

**Continued From Front:** conference tournament at the end of 2017. The lowering of both individual and corporate tax rates pursuant to the TC&JA should start to yield returns in the markets and economy in 2018. Hopefully, the stimulative effect will be more than just a handful of bonus free throws. However, we've yet to see

how investors and companies will use the extra cash in their pockets. Either way, we still expect a positive outcome for investors that stick to a diversified approach.

**-Walter Hinson, CFP®**

## Is This Market Just Right?

Goldilocks was an expert on a wide variety of subjects. Whether it was mattresses, porridge temperature, or 19th century furniture construction techniques, she was never afraid to let her opinions be known.

Despite her impressive array of knowledge, it is safe to bet that Goldilocks knew very little about bears. After all, she spent the majority of an entire day inside a bear den with little to any sign of her impending doom.

The modern day investor is very similar to Goldilocks in his/her lack of knowledge in regards to bear markets. Investors were welcomed into the new millennium by not just one but two roaring bear markets with 50% losses from peak to trough. After experiencing these two pullbacks in my professional career I have to admit that I'm absolutely frightened of bears as well!

The markets closed out the quarter down around 10% from recent January highs. Given this correction and the fact that I'm sure many of you share my Arkoudaphobia (fear of bears), I thought it would be a good time to review past bear markets from a historical perspective.

Over the past 90 years there have been 15 separate periods of bear markets, which are defined as a 20% or greater correction in the stock market. The average bear market decline has been nearly 40% and recovery time averages over 5 years.

You should be no stranger to these numbers considering the last two bear markets were the worst since the Great Depression. However, what is lost on many investors are the memories of "baby" bear markets of past. For example, the decade of the 1980's returned a stellar average market return of 14% annually. It is easy to forget that we endured 2 separate bear markets over that decade.

Have we entered a new bear market after nine years of market expansion? Unfortunately, it is impossible to say with any certainty. It is not unprecedented to experience bear markets during long periods of economic growth. However, these contractions are more shallow in nature and more in the magnitude of around 25%. If this recent 10% correction turns into a bear market it may be the best buying opportunity we've seen in quite some time.

**-Ryan Glover, CFP®**



## How Many Years to Recover from Bear Markets?

Bear Market	Duration (Months)	% Decline	Years Needed to Break Even
Sept '29 - June '32	33	86.7%	25.2
July '33 - Mar '35	20	33.9%	2.3
Mar '37 - Mar '38	12	54.5%	8.8
Nov '38 - Apr '42	41	45.8%	6.4
May '46 - Mar '48	22	28.1%	4.1
Aug '56 - Oct '57	14	21.6%	2.1
Dec '61 - June '62	6	28.0%	1.8
Feb '66 - Oct '66	8	22.2%	1.4
Nov '68 - May '70	18	36.1%	3.3
Jan '73 - Oct '74	21	48.2%	7.6
Nov '80 - Aug '82	21	27.1%	2.1
Aug '87 - Dec '87	4	33.5%	1.9
July '90 - Oct '90	3	19.9%	0.6
Mar '00 - Mar '03	35	49.2%	4.7
Oct '07 - Mar '09	18	56.2%	5.5
<b>Averages</b>	<b>18.4</b>	<b>39.4%</b>	<b>5.2</b>

Source – S&P 500 Data