

TOUCHSTONE STRATEGY

Richmond I Goodman Wealth Management

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TouchStone Brief – Market Uncertainty

Dear Clients and Friends,

Continuing our new theme of being brief in order to respect your time, we wanted to send you a bullet point summary on the current market volatility.

This is certainly an oversimplification, but some of **the main issues the market is dealing with right now:**

- New Fed Chair, Jerome Powell: *seemingly* telegraphing that the old days of low rates is over. This affects everything from the consumer to the stock and bond markets;
- Global trade: Uncertainty as to whether we are entering a global trade war. This hurts company profits and costs consumers more. Plain and simple...tariffs are a tax.
- Political: nothing new here...continued turmoil in the White House. This creates uncertainty. Markets don't like doubt.
- Other Central Banks: even Japan is hinting at higher rates going forward. Others to follow???

What does the above mean?

- Markets everywhere do not like ambiguity. This causes volatility...and this is exactly what has transpired over the past month.
- The market was (and still is) priced for perfection (i.e. steadily rising earnings by companies). Anything to upset that expectation is bound to cause big swings in the market.
- The market will re-evaluate the profits expected by companies. This may mean that the market gives itself some "wiggle room" and no longer assumes everything is coming up roses.

Bottom Line:

- When you add a heaping tablespoon of "uncertainty" to already high market levels, you get a correction.
- In our 25+ years of doing this, we have seen this many times...and will again. The market isn't always a "steady as it goes" proposition.
- In the interest of achieving better long term returns, we welcome pullbacks (if you have cash to invest...and we do). It creates fairness and opportunity.
- Our process is unemotional and we let our two disciplines guide our decisions. These tools led us to raise cash levels months ago and as a result, we have continued to fair very well. Our discipline simply didn't allow us to invest heavily when the market was priced for perfection. And now we are set up well for re-investing when the market risk is more favourable.
- Your cash will be put back to work once we see one of two things: some stability...or risk has fallen to levels where the odds of success are much more in your favour.
- Don't expect us to pick the bottom...that's almost always a mugs game. We prefer some clarity.

Enjoy your weekend, and as always, we welcome any questions or comments.

Regards,

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