
Stocks Take a Ride

Weekly Update – October 15, 2018

Volatility was back in full force last week. The three major domestic indexes posted several days of losses before experiencing wide swings on Friday. By week's end, the Cboe Volatility Index (VIX), which investors use to help measure fear in the markets, had increased by approximately 70%. The VIX also reached its highest point since February.¹

Despite a number of equities posting last-minute gains on Friday, all three domestic indexes had sizable losses for the week. In fact, they posted their worst weekly performance since March.² The S&P 500 dropped 4.10%, the Dow declined 4.19%, and the NASDAQ gave back 3.74%.³ International stocks in the MSCI EAFE also lost ground, decreasing 3.96%.⁴

What drove market performance last week?

As is typically the case, a number of details affected investor sentiment and behavior. The following topics were among the perspectives impacting performance:

- **Rising interest rates:** In addition to the Fed's interest rate increases, 10-year Treasury yields are on many investors' minds. At one point last week, the 10-year reached its highest yields since 2011.⁵ As interest from banks and bonds rise, some investors exit the markets in search of more predictable returns. These moves can cause stock prices to drop.⁶ However, we want to remind you of what we wrote about last week: Rising rates may bring their own risks, but they are a sign that the economy is growing.⁷
- **Falling tech prices:** Technology companies have been the best market performers in 2018. However, the sector just experienced its worst weekly results since this spring.⁸ With this shift in industry performance, some market participants have begun searching for different ways to invest their money.⁹
- **Ongoing trade tension:** While many analysts believe interest rates and tech prices drove last week's losses, some feel that our trade renegotiation with China is to blame.¹⁰ We do not yet know how this skirmish will resolve, but tariffs do have the possibility to slow economic growth and increase prices for consumers.¹¹

These concerns and perspectives are important, but they do not give a complete understanding of our current economic conditions. Consumer sentiment remains high, and the latest corporate earnings season is likely to show strong, double-digit earnings growth for companies.¹²

We know that volatility can feel uncomfortable, but it is normal. In the past 38 years, the markets have averaged a 13.8% intra-year decline—yet 29 of those years had positive returns.¹³

As always, we are continuing to monitor economic fundamentals and investor perspectives to find a clear view of where we are today, and what may be ahead. If you have any questions, we are here for you.

ECONOMIC CALENDAR

Monday: Retail Sales

Tuesday: Industrial Production, Housing Market Index

Wednesday: Housing Starts

Thursday: Jobless Claims

Friday: Existing Home Sales

DATA AS OF 10/12/2018	1 WEEK	SINCE 1/1/18	1 YEAR	5 YEAR	10 YEAR
STANDARD & POOR'S 500	-4.10%	3.50%	8.48%	10.19%	11.90%
DOW	-4.19%	2.51%	10.94%	10.71%	11.61%
NASDAQ	-3.74%	8.60%	13.74%	14.61%	16.35%
INTERNATIONAL	-3.96%	-9.75%	-7.26%	0.25%	4.34%
DATA AS OF 10/12/2018	1 MONTH	6 MONTHS	1 YEAR	5 YEAR	10 YEAR
TREASURY YIELDS (CMT)	2.14%	2.44%	2.66%	3.00%	3.15%

Notes: All index returns (except S&P 500) exclude reinvested dividends, and the 5-year and 10-year returns are annualized. The total returns for the S&P 500 assume reinvestment of dividends on the last day of the month. This may account for differences between the index returns published on Morningstar.com and the index returns published elsewhere. International performance is represented by the MSCI EAFE Index. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

QUOTE OF THE WEEK

"We make a living by what we get, but we make a life by what we give."

— Winston Churchill



Pumpkin Bread



Serves 10-12

Ingredients:

1¾ cup all-purpose flour
1 teaspoon baking powder
½ teaspoon baking soda
1½ teaspoon pumpkin pie spice
½ teaspoon kosher salt
1 cup sugar
½ cup unsalted butter, chopped
2 large eggs
1 cup canned pure pumpkin
2 tablespoons milk
1 teaspoon pure vanilla extract

Directions:

1. Preheat oven to 350°F.
2. Cover an 8½ x 4½-inch loaf pan with a light coat of grease.
3. Lay parchment in the bottom of the pan. Leave at least 1 inch overhanging on both of the longer sides.
4. Whisk flour, baking powder, baking soda, pumpkin pie spice, and salt together in a large bowl.
5. Put butter in a second bowl and microwave it for 1 minute to melt.
6. Add sugar, pumpkin, eggs, milk, and vanilla in the bowl with the butter. Whisk it all together. Then add and mix the flour mixture from the first bowl.
7. Pour that mixture into the loaf pan and bake, 45-50 minutes. Test to see if the bread is done by sticking a wooden toothpick into its center. If the toothpick comes out clean, it's ready.
8. Let the pan cool on a wire rack for 10 minutes.

9. Use the overhanging parchment paper to remove the bread from the pan to allow it to cool completely.

Recipe adapted from Good Housekeeping¹⁴



IRS Provides Helpful Tools

Filing your taxes shouldn't be stressful and confusing. The IRS provides online tools and resources to help make taxes less taxing.

Here are the agency's most popular:

- **IRS Free File** allows you to prepare and file your taxes online. IRS Free File is free to anyone with incomes below \$66,000. Learn more at <https://www.irs.gov/filing/e-file-options>.
- **Direct Deposit** provides you with the opportunity to get your refund more quickly and to have it electronically deposited into your bank account. Go to <https://www.irs.gov/refunds/get-your-refund-faster-tell-irs-to-direct-deposit-your-refund-to-one-two-or-three-accounts>.
- **Where's My Refund?** tells you the status of your refund after you've filed your return. The IRS2Go mobile app allows you to monitor your refund on your phone. Visit <https://www.irs.gov/refunds>.
- **IRS Direct Pay** allows you to pay a tax bill from your bank account. For more information, go to <https://www.irs.gov/payments>.
- **IRS.gov/account** lets you monitor your tax balance. It also permits you to pay your balance online. Go to <https://www.irs.gov/payments/view-your-tax-account>.
- **Online Payment Agreement** allows you to apply for an installment agreement online if you're unable to pay your taxes all at once. Visit <https://www.irs.gov/payments/online-payment-agreement-application>.

Other details may apply, and you can find more information on the IRS website.

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Tip adapted from the IRS.gov¹⁵



No More Knocking the Knockdowns into the Trees

You've knocked the ball off the green and under some trees, and now you're faced with a dilemma. You can't shoot the ball over the tree or around the trees. You're only option is to hit a low-flying ball under the trees.

But how?

First, grab a low-lofted club. Next, make an easy, not-quite-full swing. That's it, you may be asking!

Not quite.

There's a trick to this. Which club exactly do you get that will put the right height on the ball to escape the high-grass tree area while staying low enough to clear the tree branches?

The short answer: Practice.

That's probably not what you were hoping to hear, right?

Remember that hitting from the rough will normally lower the ball's trajectory anyway. So, try the shot with long and middle irons or hybrids.

Using each club, aim for a target 100 yards away. With each club, make a mental note how far each ball traveled and how high it went. Next up, change your target range to 75 yards and 125 yards. You'll start developing a sense of what club produces what swing, distance, and height.

Tip adapted from GolfDigest¹⁶



Take a Walk to Get Healthy

"But the beauty is in the walking—we are betrayed by destinations." Gwyn Thomas, an ailing Welsh writer, may not have himself walked that much in his lifetime, but you get the idea.

Scholars, for centuries, have raved about walking's benefits: physical, intellectual, and even philosophical. Some health care experts even assert that walking is superior to running; you avoid the potential for heel and joint injuries with low-impact walking.

The litany of walking's benefits is long:

- Walking lowers your body mass index. According to one study, those who walked 1,500 steps a day tended to fall in the normal, healthy BMI range.
- One study showed regular walking led to a 7% reduced risk for high blood pressure and high cholesterol.
- Regular walking leads to a 12% lower risk of type 2 diabetes, according to the same study.
- You're going to stay focused and have a better memory, according to a Japanese study on walking by older adults.
- You're going to have less stress and be in a better mood.
- Walking will help you live longer. Several studies showed that people who walked about three hours a week had an 11% reduced risk of premature death compared to their sedentary neighbors.

The deep thinkers are correct: Walking is good. But how do you get more "steps" into your busy routine?

Here are five tips from exercise researchers:

1. **Walk, walk, walk.** Walk as much as you can.
2. **Pick up the pace.** Brisk walking provides greater benefits.
3. **Break it up.** You don't have to do all your walking at once. You can take many short walks throughout your day.
4. **Do intervals.** That's short walking sprints. Experts say that's the best way to reduce waist size.
5. **Up, up, and away.** Walk uphill. You get double the benefit.

Tips adapted from Consumer Reports¹⁷



Going Green in the Bathroom

Who'd have thought you could be environmentally friendly in the bathroom? Let's look around to learn more.

Toilets made before 1992 likely use seven gallons of water per flush. Newer toilets can use less than 1.3 gallons per flush. High-efficiency toilets save water.

Older showerheads can pour water at three gallons per minute and sometimes more. Efficient showerheads reduce water use to two gallons or less per minute. Families using efficient fixtures can save about 20,000 gallons annually.

A faucet running for five minutes can use the same amount of electricity as a 60-watt light bulb in 14 hours.

It takes 70 gallons to fill a bathtub. A 5-minute shower uses 10-25 gallons of water.

Tip adapted from WWF¹⁸

Share the Wealth of Knowledge!
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We love being introduced!

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Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia, and Southeast Asia.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

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You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

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¹ <https://www.cnbc.com/2018/10/12/us-markets-data-and-bank-earnings-in-focus.html>

² <https://www.cnbc.com/2018/10/12/us-markets-data-and-bank-earnings-in-focus.html>

³ <http://performance.morningstar.com/Performance/index-c/performance-return.action?t=SPX®ion=usa&culture=en-US>

<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=DJI®ion=usa&culture=en-US>

<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=@CCO>

⁴ <https://www.msci.com/end-of-day-data-search>

⁵ <https://www.bloomberg.com/news/articles/2018-10-12/another-gut-wrenching-week-puts-2018-stocks-in-with-bad-company?srd=markets-vp>

⁶ <https://www.forbes.com/sites/markavallone/2018/10/11/5-reasons-why-higher-interest-rates-matter/#50fab87577d>

⁷ <https://www.investopedia.com/investing/how-interest-rates-affect-stock-market/>

⁸ <https://www.cnbc.com/2018/10/12/us-markets-data-and-bank-earnings-in-focus.html>

⁹ <https://www.bloomberg.com/news/articles/2018-10-12/another-gut-wrenching-week-puts-2018-stocks-in-with-bad-company?srd=markets-vp>

¹⁰ <http://fortune.com/2018/10/11/trump-federal-reserve-powell-lagarde-carney/>

¹¹ <https://www.businessinsider.com/trump-trade-war-tariffs-china-effect-2018-10>

¹² <http://wsj-us.econoday.com/byshoventfull.asp?fid=485860&cust=wsj-us&year=2018&lid=0&prev=/byweek.asp#top>

<https://www.cnbc.com/2018/10/12/us-markets-data-and-bank-earnings-in-focus.html>

¹³ <https://am.jpmorgan.com/us/en/asset-management/gim/adv/insights/guide-to-the-markets/viewer> p.14

¹⁴ <https://www.goodhousekeeping.com/food-recipes/easy/a23008885/pumpkin-bread/>

¹⁵ <https://www.irs.gov/newsroom/taxpayers-should-check-out-these-helpful-tax-tools>

¹⁶ <https://www.golfdigest.com/story/never-clank-one-off-a-branch-again>

¹⁷ <https://www.consumerreports.org/exercise-fitness/benefits-of-walking/>

¹⁸ <https://www.worldwildlife.org/pages/green-tips>