ACORN
WEALTH ADVISORS

2018 Quarter 1 update

- The market volatility that has been long overdue showed up in high style so far this year. For those of you who follow our commentary you know that we have been setting records for the time between pullbacks and the odds for a 'return to normalcy' have been increasing for several months
- Even though we have tried to prepare clients for these events it is always easier to discuss 'rational market' behavior when they are increasing every week. The reality of the volatility, when it comes, is much harder to watch.

The following comments came from our Mid Quarter update:

- Pullbacks are a necessary and healthy action for markets. We've been expecting, and trying to prepare our clients for, a 10-15%+ pullback for quite some time.
- These percentages would mean a drop of 2,600-3900 points on the DOW. Again, if this happens, it's not the end of the world. We've been conditioned to believe the market is a no-lose game. It's good to be reminded that with reward there are always some risks. We also realize that it is often easier to talk in terms of % swings vs real $$$$ changes.
    - The longest consecutive streak of monthly gains at 15 months (including reinvested dividends). The average for any given year is 8 positive months and 4 negative months.

The points below are an excerpt from the end of quarter market commentary from Charles Schwab Chief Economist, Liz Ann Sonders:

Key Points

- Stock markets have behaved much differently in the last two months as compared to the previous year. Increased volatility, however, doesn't mean the end of the bull market, but it is becoming a more challenging environment.
- The U.S. economy shows few signs of slowing down but risks to growth are rising as trade issues emerge and the Federal Reserve continues its tightening campaign.
- The global wall of worry has a few more bricks in it, but positive news should help markets continue to climb that wall, although trade protectionism remains a threat to global growth.

We have attached the full article for those of you like more data and charts.

Actions we are taking at Acorn Wealth Advisors based upon the current environment:

We believe that long term performance is driven more by corporate growth rates in earnings than 'news based' market reactions and fluctuations.

We are reviewing our fixed income strategies to insure our clients are positioned for the rising interest rate trend. This may include some repositioning of current allocations to shorter duration bonds and investments that are designed to maintain value in a rising rate environment.

We continue to use the market pullbacks to invest cash that has accumulated in accounts over the past few months. We DO NOT BELIEVE MARKET TIMING is a strategy that produces long term results but buying when the markets are ON SALE will work over the long term.

The great investor Warren Buffett is quoted as saying 'buy when people are fearful and sell when they are greedy'.

In closing, keep the faith, focus on your goals, let us know if you would like to revisit your financial plan and/or Risk Tolerance and turn off the TV!!