Dear present and future clients:

In the 1930s, economist John Maynard Keynes said: "Markets can stay irrational longer than you can stay solvent." Unfortunately, that bit of wisdom remains true today. Market movement – up or down often makes investors second-guess themselves. "Should I stay invested? Pull out? Make changes?" In particular, volatile markets often bring out the worst in human nature. Fear and greed are the two elements that most often derail a sound financial plan. When markets are charging higher, greed often drives people to invest outside their normal comfort zone. Likewise, when markets are cycling downward, fear can often spook investors into overreacting. Baird's PM Group recognizes that short-term uncertainty is normal and we encourage our clients to stick with their long-term investing plan. If it was crafted with their goals and comfort level in mind, it will likely serve them well despite a multitude of distractions along the way. It's important though to revisit that plan periodically because, as life changes affect you and your family, your investment planning, estate planning, risk management planning and tax planning may need to be updated. We are happy to "quarterback" all of those for our clients and their families.

Customized wealth and financial plans have many moving parts. You need oversight by someone who can anticipate the landscape ahead and, when a piece of the plan falls short due to unexpected circumstances, you need them to adjust as necessary. In this way our team helps to ensure that, whatever tomorrow brings, your wealth is not likely to face permanent setbacks. That reassurance will also reduce worry so you can focus on the more enjoyable things in life

Green grass and high tides

We've seen a very strong start to 2019. It's a moving target, but after a sharp sell-off toward the end of 2018, the broad market indices have rebounded and fully recovered. That decline is now just a memory.

The S&P 500 Index and the NASDAQ have both topped previous highs (Yahoo Finance). It's quite a snapback from the gloomy outlook and oversold conditions we saw in late December.

Some of this year's rebound is simply timing. After a steep sell-off last year, the major market indexes bottomed in late December. Hence, much of the rally has occurred since the end of December. But let's not discount the fundamentals.

What has been powering the rally?

1. Recession fears have faded. Put another way, recessions crush profits and severely dampen the outlook for profits. Earnings growth isn't very strong right now, but Q1 reports are topping a low hurdle (Refinitiv).

2. After slowing through much of 2018, the global economy appears to be stabilizing.

3. The Federal Reserve is on hold and interest rates remain low. Last year, the 10-year Treasury yield peaked above 3% (Bloomberg). Today, it's hovering near 2.5%. Given expectations of modest economic growth, options to earn a higher return in safe investments are limited, reducing competition for stocks.

4. Investors remain optimistic that U.S. and Chinese trade negotiators will come to terms on an ever-elusive trade agreement. Here's a headline in the April 29 *Wall Street Journal*: "[Treasury Secretary] Mnuchin Suggests China Trade Talks Could Wrap Up by End of Next Week" (or about May 10). That's encouraging, but as we've seen early this week, an agreement has not been reached yet.

With key indexes at or near highs, let me pose a question to you. How were you feeling when shares were getting beat up in December? Before you respond, there isn't a right or wrong answer.

Did you look past the headlines, recognizing the financial plan was the best path to long-term success? Did the plan enforce discipline, preventing you from making ill-timed investment decisions? Were you comfortable with adhering to the long-term roadmap?

If the answer is "Yes," your tolerance for risk is incorporated into your approach.

Or, did you get that queasy, unsettling feeling in your gut? Were you rattled by the swiftness of the decline? Did you experience sleepless nights?

If you answered “Yes,” to that second set of questions, let’s talk. It’s possible that we may need to make some adjustments to your portfolio that may ease the downside when volatility strikes again.

Many of our retired clients' portfolios are structured to be defensive – designed to smooth out those sharp peaks and valleys. Of course, while this doesn’t completely eliminate risk, it can help manage risk and that may be all that you need.

Let me emphasize that it is our job to assist you! If you have any questions or would like to discuss any matters, please feel free to give me or any of my team members a call.

As always, we're honored and humbled that you have given us the opportunity to serve as your financial advisors. Let us know if there is someone you care about that might want to receive these monthly emails and we will add them to the list.

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