



January 2019

### 4<sup>th</sup> Quarter 2018 Market Commentary

#### 4<sup>th</sup> Quarter Market and Economic Summary

- Dominated by lower returns and higher volatility
- Domestic and international equity markets finish lower on the year; domestic bond index flat  
- 2018 was the first down year for the S&P 500 and Dow Jones Industrial Average since 2008
- Ongoing trade negotiations and tariffs, economic slowdown in China garnering most attention  
- trade talks continue between the world's two largest economies, and both countries have communicated a desire to reach framework for a trade agreement
- Unemployment historically low, business and consumer confidence remains strong  
- though there are signs of some slowdown, indicators are not pointing towards a recession
- A divided Congress has historically the best track record for equity indexes<sup>1</sup> compared to a unified party in the White House and Congress, or a unified Congress versus the opposite party in the White House

#### Period Ending December 31, 2018

	Annualized Total Returns						Calendar Period Total Returns						
	YTD	1 year	3 year	5 year	7 year	10 year	2018	2017	2016	2015	2014	2013	2012
Dow Jones Industrial Average	-3.48%	-3.48%	12.94%	9.70%	12.43%	13.16%	-3.48%	28.11%	16.50%	0.21%	10.04%	29.65%	10.24%
NASDAQ Composite Index	-2.84%	-2.84%	11.10%	10.97%	15.67%	16.76%	-2.84%	29.64%	8.87%	6.96%	14.75%	40.12%	17.45%
S&P 500	-4.38%	-4.38%	9.26%	8.49%	12.70%	13.12%	-4.38%	21.83%	11.96%	1.38%	13.69%	32.39%	16.00%
Russell 2000	-11.01%	-11.01%	7.36%	4.41%	10.44%	11.97%	-11.01%	14.65%	21.31%	-4.41%	4.89%	38.82%	16.35%
MSCI EAFE	-13.79%	-13.79%	2.87%	0.53%	5.75%	6.32%	-13.79%	25.03%	1.00%	-0.81%	-4.90%	22.78%	17.32%
Barclays US Aggregate	0.01%	0.01%	2.06%	2.52%	2.10%	3.48%	0.01%	3.54%	2.65%	0.55%	5.97%	-2.02%	4.21%
Barclays Global Agg. Ex-US	-2.15%	-2.15%	3.15%	-0.01%	0.12%	1.74%	-2.15%	10.51%	1.49%	-6.02%	-3.08%	-3.08%	4.09%

Based on U.S. dollars

Source: RBC Wealth Management as of December 31, 2018

<sup>1</sup> Source: <https://www.investors.com/news/split-congress-elections-stock-market/>



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#### Putting Volatility in Perspective

Volatility, or the measure of fluctuations in stock prices, returned to equity markets in 2018 after a virtual absence in 2017. If you have a short-term need for liquid funds, market declines will be a bigger factor when fully invested. If, however, your income plan is to withdraw funds from investments accounts periodically over a number of years, you will be better able to withstand corrections and periods of higher volatility. The chart below provides some context for the swings we saw this past year, including a look-back at the 50 year average:

Year	# of days with moves grater than +/- 1%	# of days with moves grater than +/- 2%
50 Year Avg.	59	13
2018	63	19
2017	8	0
2016	48	9
2015	72	10
2014	38	6
2013	38	4
2012	50	6
2011	96	35
2010	76	22
2009	117	55
2008	134	72

Source - RBC Wealth Management, Bloomberg; data through 12/31/18



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**2018 Tax Form Mailing Dates**

Below you will find the dates for tax documents relating to the 2018 tax year. As a reminder, we encourage clients to wait until after mid-March to file their tax returns, in the event a revised 1099 were generated. If you or your tax preparer have questions regarding your tax forms, please don't hesitate to contact us.

<b>Tax Forms</b>	<b>Mailing Dates</b>
<b>1099-R</b> (Clients may be required to include IRS Form 8606 with their income tax return. Clients should contact their tax advisor for more information.)	January 31, 2019
<b>Fair Market Value Statements</b>	January 31, 2019
<b>1099 Tax Information Summary</b>	February 15, 2019
<b>Income Summary</b> (Default for non-reportable accounts is not to generate a statement of income transactions. If clients would like to receive this, send an RBC Workflow request to Tax Operations by January 31.)	February 28, 2019
<b>REMIC Tax Information Summary</b>	March 15, 2019
<b>1042-S</b>	March 15, 2019
<b>Revised 1099 Tax Information Summary</b> (tax year 2018 – revision 1)	On or About March 16, 2019
<b>Revised 1099 Tax Information Summary</b> (tax year 2018 – revision 2)	On or About April 5, 2019
<b>5498</b>	May 31, 2019
<b>Revised 1099 Tax Information Summary</b> (tax years 2015 – 2018)	May 2019



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### **Retirement and Retirement Income Planning**

As a part of our opportunity to serve you, we offer a coordinated review of your investments and full financial picture by utilizing our WealthPlan product. This complimentary service helps us to better understand your financial needs now and into the future. As part of your financial plan, we can help to evaluate contribution levels to workplace 401(k) plans, IRAs, Roth IRAs, and other employer sponsored retirement plans. We can also help you evaluate traditional versus Roth contributions and whether or not a conversion of traditional dollars to Roth dollars makes sense.

While any one of our team members can assist with a WealthPlan and your planning needs, we'd also like to remind you that Colby Spann holds the CERTIFIED FINANCIAL PLANNER™ certificate and is a licensed CFP® professional within our team.

Additionally, for those of you who are retired or are nearing retirement, we can assist you with a retirement income plan, if we haven't already done so. We will help to evaluate all sources of income – Social Security, pensions, investment income, rental income, etc. – and customize an income stream that meets your cash flow needs.

### **Team Update**

- Kirk Abrahamson – Kirk and his wife, Dianna, visited their two daughters, Kylie and Laney, who reside in Denver, Colorado, over the Thanksgiving holiday. Kylie and Laney are partners in the residential real estate business in Denver and have been working together as a team for the past 3 ½ years. Kirk's also hoping to improve areas of his golf game this offseason with indoor simulator lessons. Time will tell...
- Mike Rowedder – Mike along with, his wife, Gina, daughter, Allie, and grandson, Jameson, recently welcomed a new addition to the family. Weighing in at nearly 4 pounds, the Rowedders are the proud new owners of a 10 week old miniature poodle. The family has named the addition Teddy, and it's the first puppy Mike's owned since his high school days. Mike is looking forward to long walks as the January temperatures begin to fall.
- Colby Spann – Colby is proud to announce that he's an uncle for the first time, as his younger sister, Chelsea, welcomes her first son. Walker Aaron West was born in November, and is already tipping the scales at 16lbs and 25 inches. He's in the 97<sup>th</sup> percentile for his length and weight, leading Colby to believe there's a future Jim Harbaugh recruit in the family.

As always, If there is something specific you would like to see us address in future issues, please email Colby at [colby.spann@rbc.com](mailto:colby.spann@rbc.com) so that we can do our best to provide material of interest to you in future editions of our newsletter.

Please feel free to reach out to the team with anything you might need related to your financial well-being, as we hope to be a resource available to you and your families.

Thank you!  
The Abrahamson Investment Group  
-Kirk, Mike, and Colby