

Quick glance

In the eye of the storm



Wealth
Management



Hardee Investment Group

H.H. “Will” Hardee, AWM

Managing Director –
Financial Advisor

Senior Portfolio Manager –
Portfolio Focus

1001 Fannin Street, Suite 1200

Houston, TX 77002

Phone: (713) 853-0879

Toll free: (800) 838-0757

Fax: (713) 651-3366

hardeeinvestmentgroup@rbc.com

www.hardeeinvestmentgroup.com

It was only two years ago when we were hit by Hurricane Harvey. High winds, tornadoes and massive flooding devastated most of the Texas coast. Rockport was hit by more tornadoes (more than 220) than any other hurricane in history. What’s that got to do with my portfolio?

Just like the weather, the stock market has seasonal tendencies and August through mid-October is called the “hurricane season.” You never know if a stock-market hurricane will hit and how it might affect you. So, you prepare for the storm.

Instead of bottled water, canned goods, battery-operated radios and flashlights, you reduce your stocks and build cash. Once in a while, the storm passes by and it’s a non-event. Sometimes it’s a direct hit and no matter what you did to prepare, it still hurts.

We’ve prepared for the seasonal sell off by reducing stock holdings and raising cash. We think having a 20%–30% cash reserve or short-term bonds and a gold alternative is good preparation. The purpose of the cash is to put it back to work over the next few weeks as stocks go down in price and become a better value.

Remember, the goal over time is to buy low and sell higher. Prices go lower because of fear. It’s usually driven by bad news, such as a recession or a trade war. Fear causes panic selling and that creates “bargain buying” opportunities. However, our emotions interfere

because we are scared and we don’t buy when prices are low because they might go lower. To overcome this, we invest in tranches, or dollar cost averaging method, buying 25%–33% of a position at a time. Learn to recognize your emotions, and you will be a better investor.

Here are a few questions we’ve received lately:

Q: Did you expect this kind of selling?

A: Fear is a powerful motivator. We actually monitor the intensity of the fear, and it helps us identify when we reach a crescendo.

Q: Why not sell everything and just wait?

A: We aren’t all-or-none investors. We buy in tranches and sell in tranches. Taxes are a consideration, and there were times where hurricanes did not hit.

Q: What’s the “biggest loser?”

A: This is only asked when the market is down. But it’s energy. One thing to remember is even though the prices of these stocks may temporarily decrease in value, we’re still receiving the dividend.

Investment and insurance products offered through RBC Wealth Management are not insured by the FDIC or any other federal government agency, are not deposits or other obligations of, or guaranteed by, a bank or any bank affiliate, and are subject to investment risks, including possible loss of the principal amount invested.

Q: What's the "biggest winner?"

A: This, too, is only asked when markets are up. The answer is gold. This is akin to fire insurance. You hope you don't need it, but you're glad when it's there.

Q: How do you know it's over?

A: Fear and greed can be measured. As we discussed in our last Quick Glance, we developed indicators over the past 42 years that help us identify when we are getting to an extreme. These same indicators helped us identify greed was very high in July and lead us to start selling stocks to prepare for this period.

Even though these times can be painful, there is a silver lining. We can take the opportunity to purchase quality stocks at a lower cost than where they were trading. The worst thing to do at this point is to sell out. Doing that ensures you lock in your loss. Staying in, even though emotions are running rampant, gives us plentiful opportunities to not only recover the temporarily decreased value, but also capture future stock price appreciation and dividends.

The views presented herein are solely those of H.H. "Will" Hardee, and do not necessarily represent the views of RBC Wealth Management. Current status of issues discussed in this letter is subject to change based upon market conditions and industry fundamentals. Clients should work with their financial advisor to develop investment strategies tailored to their own financial circumstances. Past performance is no guarantee of future results. The name Hardee Investment Group refers to a group of financial advisors working in the Houston, Texas office of RBC Wealth Management. The Hardee Investment Group is not a separate legal or corporate entity. All services offered and all memberships referenced in the presentation refer to the services offered or registrations held through RBC Wealth Management. RBC Wealth Management, a division of RBC Capital Markets LLC, Member NYSE/FINRA/SIPC.