Stirling Bridge
Wealth Partners, LLC

MARKET COMMENTARY – JANUARY 1, 2018

Ursus and its Bite.

For more than a month we in the West have enjoyed a stream of celebrations all with wonderful, ancient traditions and deep meaning. Along the way, if you are like us, you've had the opportunity to partake of many scrumptious meals – perhaps too many. For our part, we've used our incisors and canines to rip into foods ranging from turkey to ham. Our molars have mashed bits of bread and desserts (no keto diet for us!).

Such frequent and rich repasts prodded us to investigate bites, of all things. It turns out that an adult human male has a bite strength that ranges from about 150 to 200 psi. This has served us well over the years, balancing the need for muscle and brain power in the compact space of our skulls. In comparison, it's not that far off the strength of a leopard's bite, estimated to be about 300 psi.

But what of the bear? What kind of pressure can his bite exert on unwilling prey? While there are a host of factors, we can safely say that it is the biggest of bears that crush with the greatest power. Monstrous Grizzlies and Kodiak bears can clamp down with about 1,100 psi. The biggest Polar bears clock in at 1,200 psi.

For three months, the markets have been volatile (please note that when market commentators like us say *volatile*, we use it as a polite way to say, *bad*). With the most recent volatility, stocks have entered the official territory of the bear (defined as a drop of 20% or more from the high). All portfolios have suffered under the intense grip of *fear* that comes from knowing a bear lurks nearby.

But we'd like to stress that none of our investors have suffered from an actual bite of the bear. By this, we mean that because our clients have appropriate allocations with proper reserves set aside for spending, they have not been harmed in a long term sense. There has been no forced selling. The concern we all experience is real, to be sure, and palpable. But is it helpful? Is it accurate to worry to a degree beyond general vigilance?

For now, we continue to say that concerns engendered by the sell-off (and the sell-off itself) are overblown. The proximal causes of the poor markets seem to be the twin devils of rising rates and the trade spat, which both might, in turn, cause a slowdown in activity and feeble prospects.

1246 County Road Q, McClure, OH 43534 P: 419-832-1111
www.stirlingbridgewealthpartners.com F: 419-932-1211

However, a closer look at the actual news around these items paints a more nuanced picture, we believe. On rates, the Fed has said in December that they are nearer the end of their increases than the beginning. While they've left ample wiggle room, our experience tells us to take them at their word. If this is true and we get only one or two increases in 2019, then rates will still be low by historical standards and probably not enough to be the sole cause of tipping the U.S. into recession.

The trade front is murkier, but not all bad. With the current environment, it is difficult to accurately gauge likely outcomes. However, it is in both China's and U.S. interests to come to a peaceful resolution. The promises of official talks and meetings that came out of the recent G-20 summit seem to be occurring and may bear fruit.

Fundamentals are unequivocally strong. The initial surge in growth propelled by the tax reform bill in late 2017 has faded. But even when all the froth from the change in tax structure is removed, the underlying growth rate of corporate earnings and the economy has remained steady.

We expect the phenomenal growth rates and profitability of the previous year to abate. Barring an unexpected shock, we forecast 2019 to be fair for stocks and even bonds. We project that investors might recoup much of what was trimmed from their portfolios in recent months. There are many fine companies selling at discounted prices. Looking out for into 2020 and beyond, we are beginning to see the seeds of weakness sown in the form of lower quality corporate debt. But this is NOT a problem today and, should the trend reverse, would not be a concern in the future. However, it is on our radar.

In short, we've all suffered from the widespread fear that the long-hidden bear would emerge from his den. Well, he has. Yet, he has not attacked. He has not latched his powerful jaws upon us as individuals. And it is our choice whether or not he does. To stay safe, we must only remain vigilant.

Stirling Bridge Wealth Partners, LLC is fortunate to count many of you as clients. In the good times and bad, we remain committed to providing customized investment solutions and robust financial planning wrapped in a package of exceptional service. We thank each of you for your dedication to us and for your trust.

Sincerely

Jason Born, CFA
President

1246 County Road Q, McClure, OH 43534 P: 419-832-1111
www.stirlingbridgewealthpartners.com F: 419-932-1211