

MARKET COMMENTARY – FEBRUARY 1, 2018

*Si vis pacem,
Para bellum. ~ Epitoma rei militaris*

So said the Roman writer, Vegetius, in his treatise on military matters, which was penned in the late Empire. But your Latin may be as deficient as ours. Fear not, the phrase translates thus, *If you want peace, prepare for war*. Versions of this adage have driven foreign diplomacy between countless nations throughout history. Emperor Hadrian himself, 250 years before Vegetius, utilized a more succinct version of the edict. He sought, *peace through strength*, as he built his famous white-washed wall to protect Rome's interests in what is modern day England from the invading Picts to the north. Earlier still, the poet, Horace, claimed it was the wise man who prepared for war in times of peace.

And lest the dear reader think the idea of vigilance was only touted by toga-clad Italians, we humbly offer a brief mention of more modern notables. George Washington avoided foreign wars during his stint as the first president by encouraging a build-up in the defensive capabilities of the nascent country. The former general often said, *To be prepared for war is one of the most effective means of preserving the peace*. Likewise, Ronald Reagan served over a period devoid of large U.S. wars by making peace the end, strength the means.

You may find yourself asking what any of this has to do with equity and bond markets in 2018. It is not a stretch to suggest we are in the midst of a very peaceful time in the market. It has been called a great market melt-up. Times are good. Prosperity is the hope of everyone. And it seems to be within reach for more every day. We've had *Pax Romana*, *Pax Britannica*, and *Pax Americana*. We now seem to be enjoying *Pax Marketica*, the financial peace brought about by low rates, easy money, fiscal stimulus, and deregulation, among others.

But regardless of your political persuasion, the prudent among us acknowledge the importance of vigilance. And since we are certain that we have not one malingering client or friend, we will not bother discussing the alternative.

In times of affluence, a prudent chap (or chapess) will prepare for the meager times.

Over his long career, Warren Buffett has voiced the concept differently.

Be fearful when others are greedy and greedy when others are fearful.

Sage advice from the Oracle of Omaha.

What this means for you and for us is that Stirling Bridge continues to take part in the market tranquility offered today. Where appropriate, we invest in the Alibaba's and Facebook's of the world. However, as we fancy ourselves prudent, we prepare for war, for the downturns. Interest and dividends, as they come into the accounts you've allowed us to manage, are invested in vehicles with strong balance sheets and the ability to see a prosperous way through the next sell-off.

Like Hadrian, one brick at a time, we build a fortress wall around client portfolios, attempting to make them resistant to an attack from panicked market forces. Like Washington or Reagan, we do not wish for stresses to creep into our investments. But we know that they will come. In the meantime, we build, tear down, repair.

Perhaps we've taken the analogy too far? *Pax Marketica*? Really? Admittedly, we just made that phrase up on the spot.

Or, perhaps it has helped explain how we can be delighted as we see the market and client portfolios reaching new highs while simultaneously circumspect and attentive to the dangers always lurking beyond the next peak. And remember. *Pacem. Para bellum.*

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 an exceptional service package. We thank each of you for your dedication to us and for your trust.

Sincerely

Jason Born, CFA
President