OXFORD CHASE ADVISORS LLC

4600 Avocet Drive
Peachtree Corners
GA, 30092

Ph: (1)678-313-6265
Email: info@oxfordchaseadvisors.com
http://www.oxfordchaseadvisors.com/

Economy & Market Valuation

In the fourth quarter of 2018, the US stock market went through a correction and a bear market. A correction is defined as a 10% drop from the peak and a bear market is defined as a 20% drop from the peak. On Dec 24, 2018, the US stock market as measured by the S&P 500 index, had dropped 20% from the recent peak. The drop was shocking and quick. There have been 5 corrections in the last 10 years since the recession of 2008. The bear market in Q4 2018 was the first bear market since 2008. The general perception is that bear markets are followed by recessions. This is not true. There have been 21 bear markets since 1929. Out of the 21 bear markets, only 11 were followed by recessions. It is not a given that a recession will follow a bear market. The stock market typically recovers quickly after a bear market, if there is no recession. Since the market bottom of Dec 24, 2018, the stock market has gone up by approximately 13%. Our view is also that the probability of recession in 2019 is very low. We think that there are two major reasons for the quick recovery in the market. The first one being that the US economy is still strong and there are no signs of a recession in 2019. The leading indicators do not point to a recession. The second reason is that the Federal Reserve has indicated that they will pause interest rate hikes for now. If there is a positive outcome from the trade negotiations with China, even if it does not touch the big issues like IPR theft, it will be a positive for the stock market. The deadline for the current negotiation phase with China is March 2, 2019 although it could get extended. Even a delay in increase in tariffs on Chinese imports at the March 2 deadline, would be considered a positive outcome.

We will stay disciplined and will be taking advantage of market rallies to increase the percentage of cash in the portfolio. We expect volatility to continue in the coming weeks and months. We will be investing a portion of the portfolio in interest bearing instruments in the coming weeks and months. These instruments provide higher yield than CDs and provide safety during periods of market volatility. They also act as a placeholder for cash to be deployed when we find attractive opportunities. We will continue to hold our positions in good quality companies although we expect to trim our positions during rallies. For us, safety of principal is very important. All our investments are done with a view that they can go up and down during times of market volatility, but that the probability of a permanent loss is very low.