

MARKET COMMENTARY – MARCH 1, 2018

Winter is Coming.

A strange thing to say when on the cusp of spring. Please stick with us.

Winter is Coming are the words, or motto, of the great House Stark in the wildly popular *A Song of Ice and Fire* book series by George R.R. Martin. For those unfamiliar with the tale, it takes place in a broad, mythical land with castles, lords, kings, ladies, wildlings, assassins, and much plotting. The greater and lesser houses are in constant conflict, with ever-shifting loyalties. Each of the houses has what are called *words*. For example, the words for House Lannister are *Hear Me Roar!* The words for House Tully are *Family, Duty, Honor*. And on, and on.

But, in our minds, the words for the Starks are unique. The family and their allies call the frigid north their home. And everyone north of The Neck says, *Winter is Coming*. All the time. These are cold, stone people accustomed to surviving in harsh conditions. They live on a frightening frontier, protecting the kingdom against somewhat otherworldly invaders and have therefore adopted the phrase as a constant reminder to be prepared. Oh, and here's the best part, no one ever knows when winter will come or how long it will last. Summers may stretch an indeterminate number of years. So, too, however, may winters. Will the next one last four years? Five years? Much longer and colder?

Is that not like the business cycle? We all hope for the warm feel of summer and the pleasant gifts that accompany a business expansion. And truth be told, expansions always last longer than recessions. But it is the foolhardy who, in good times, make no preparations for the bad.

We argued that the route experienced in prices during the fourth quarter of 2018 was illogical and hysterical. At the same time, we encouraged investors to stay attuned to strong fundamentals and positive developments in interest rate policy and geo-political events. Fortunately, in the short run, the market seems to have tired of pushing prices down against such favorable news. Since December 26, stocks have rebounded sharply.

Though we have no idea the direction of prices over brief periods, history shows that much of a year's market return occurs in relatively short bursts. Perhaps, we've seen much of 2019's return already. Though fundamentals do remain strong.

So, what's it all mean?

We've pruned some portfolios that have experienced rapid growth this year, making sure that they remain on their allocation target. This is a natural process of keeping to a coherent plan. It involves no reading of tea leaves or hocus pocus or prognostication. And it is quite the opposite of the natural direction we moved with small amounts of cash in the fourth quarter when, as a result of cheaper prices, we planted more into stocks. Our clients work hard for their money. We help them set proper risk targets and goals and then execute on those plans to see them come to fruition.

What we're trying to say is that Winter is Coming. A recession is coming. We do not know when, though much of the current data suggests that this particular summer may linger a while longer. But as sure as the sun rises in the east, a recession will come. It is part of human nature to build to excesses and then require a wash-out in order to begin anew.

Just as House Stark might have done for generations, prepare. If you have assets or investments that you cannot articulate a reason for owning, then review them. If you cannot with certainty say what your overall risk tolerance, investment goals, and allocations are, then sit down with someone reputable and write them down. In this manner, when the winter of recession descends upon us, you and your own great house will be ready.

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

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