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# Stocks Down, Change Ahead?

Weekly Update – December 17, 2018

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Last week brought more volatility to the markets. While domestic indexes had some rallies as positive trade news emerged earlier in the week, by Friday, December 14, they had erased any gains. The last time major U.S. indexes ended in correction territory was March 2016, meaning they are now at least 10% below their highs from the past year.<sup>1</sup>

For the week, the S&P 500 dropped 1.26%, the Dow lost 1.18%, and the NASDAQ declined 0.84%.<sup>2</sup> International stocks in the MSCI EAFE also had a 0.89% weekly loss.<sup>3</sup>

## Why did markets struggle last week?

With last week's declines, the S&P 500 was in the midst of its worst December since 2002.<sup>4</sup> Concerns about global growth fueled much of the declines as China and Europe released economic data that missed projections.<sup>5</sup> The ongoing trade tension contributed to slower growth in China, which drove some investors to worry about U.S. growth, as well.

We did, however, receive solid domestic data last week, including a healthy retail sales report.<sup>6</sup> But, through the week, investors seemed less interested in this data and positive trade updates, focusing instead on understanding the global economy's standing.<sup>7</sup>

## What might be ahead?

This week presents a potentially significant event for domestic markets: the Federal Reserve's commentary after its latest meeting. The Fed will likely raise interest rates during the meeting, which would be the 9<sup>th</sup> increase since December 2015. Markets expect this hike, but what investors aren't sure about is how the Fed will describe its plan for 2019. Some analysts believe that if the Fed indicates it will pause or slow rate hikes next year, we could see a sizable "Santa Claus rally" through the end of December.<sup>8</sup>

For short-term traders, predicting whether 2018 will stay in negative territory or stocks will end the year on a surge is in many ways a guessing game. What we are here to do is help you manage your investments for the long term. We will follow this week's developments closely and strive to determine how they may affect the economy going forward. Ultimately, we are focusing on your goals not just through the year, but for the rest of your life.

## ECONOMIC CALENDAR

**Monday:** Housing Market Index

**Tuesday:** Housing Starts

**Wednesday:** Existing Home Sales, FOMC Meeting Announcement

**Thursday:** Jobless Claims

**Friday:** GDP, Durable Goods Orders, Consumer Sentiment

DATA AS OF 12/14/2018	1 WEEK	SINCE 1/1/18	1 YEAR	5 YEAR	10 YEAR
STANDARD & POOR'S 500	-1.26%	-2.75%	-1.96%	7.93%	11.45%
DOW	-1.18%	-2.50%	-1.67%	8.87%	10.82%
NASDAQ	-0.84%	0.11%	0.79%	11.55%	16.19%
INTERNATIONAL	-0.89%	-14.53%	-13.08%	-0.73%	4.04%

  

DATA AS OF 12/14/2018	1 MONTH	6 MONTHS	1 YEAR	5 YEARS	10 YEARS
TREASURY YIELDS (CMT)	2.36%	2.56%	2.68%	2.73%	2.89%

Notes: All index returns (except S&P 500) exclude reinvested dividends, and the 5-year and 10-year returns are annualized. The total returns for the S&P 500 assume reinvestment of dividends on the last day of the month. This may account for differences between the index returns published on Morningstar.com and the index returns published elsewhere. International performance is represented by the MSCI EAFE Index. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.



*“Before you speak, listen. Before you write, think. Before you spend, earn. Before you invest, investigate. Before you criticize, wait. Before you pray, forgive. Before you quit, try. Before you retire, save. Before you die, give.”*

— William A. Ward



### Almost Mongolian Beef Satay Skewers



Serves 12

### **Ingredients:**

#### **Satay**

½ pound beef flank steak  
2 teaspoon cornstarch  
3 tablespoons lower-sodium soy sauce  
1 tablespoon dark brown sugar  
3 cloves garlic, minced  
1 teaspoon toasted sesame oil  
1 lime, cut into small wedges

#### **Satay Sauce**

¼ cup ketchup  
1 tablespoon honey  
1 teaspoon Sriracha hot sauce  
Kosher salt  
Freshly cracked black pepper

### **Directions:**

1. For the satay, put steak on a cutting board. Using a chef's knife at a 45-degree angle to the board, slice the steak against the grain to make twelve ¼-inch-thick and 1¼-inch-thick strips.
2. Mix cornstarch with 1 tablespoon soy sauce in a medium bowl until dissolved.
3. Mix in brown sugar, garlic, sesame oil, and the rest of the soy sauce.
4. Put the beef slices in the bowl and turn to coat.
5. Cover the mix and refrigerate for 20 minutes or overnight.
6. For the satay sauce, use a whisk to mix ketchup, honey, Sriracha, ½ teaspoon salt, and pepper to taste.
7. Lay foil smoothly on a baking sheet. Take out the steak, and blot it dry with paper towels. Throw away the marinade. Insert skewers into each piece of meat. Place the meat on the baking sheet.
8. Place oven rack 3 inches from the heat source.

9. Brush the meat with satay sauce and broil 3-4 minutes. Rotate skewers and broil 2-4 minutes to brown the other sides.
10. Serve the meat with lime wedges.

Recipe adapted from Good Housekeeping<sup>9</sup>



### **Some Corporations to Pay Blended Tax Rate**

Corporations will pay different tax rates for 2018. Last year's Tax Cuts and Jobs Act enacted a flat 21% corporate tax rate, which replaced a graduated tax structure.

The new tax rate took effect January 1, 2018, meaning corporations with a fiscal year that includes that date will pay the flat rate. However, corporations will not pay the flat rate for the part of the year preceding the January 1, 2018 date.

Follow these steps to pay the blended tax rate:

- Calculate taxes for the entire taxable year based on the rate preceding the tax act's effective date.
- Make a second tax calculation based on the new flat rate of 21% for the entire taxable year.
- Proportion the taxes based on the days in each taxable year (prior to and after the January 1, 2018 effective date).
- Generate the sum of these two figures, which is the amount of taxes the corporation will owe for the fiscal year.

All corporations with fiscal years that include January 1, 2018 must use the blended tax rate calculation. The IRS advises corporations that already filed returns for portions of the fiscal year in 2017 to file amended returns.

For more information, go to <https://www.irs.gov/forms-pubs/2017-fiscal-tax-year-filers-must-use-blended-corporate-tax-rates>.

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Tip adapted from the IRS.gov<sup>10</sup>



## No More Chunking the Chips!

The popular advice: Keep your head down when you hit chips and short pitches.

You follow the advice, but you still don't get it right.

So, what are you doing wrong?

It's not you. It's the advice. You concentrate on keeping your head down, which causes tension in your hands and arms. That restricts your swing and prevents you from swinging through the ball. It also throws off your balance and the shifting to the left foot (or right foot for left-handed players).

Try this to help reduce the tension: Track the ball with your eyes. This maneuver will help you rotate your head toward the target during the swing. It also helps your body rotate properly and naturally, which leads to more solid contact.

The change in focus helps direct the club on a more shallow path toward the ball, creating a cleaner strike.

Tip adapted from GolfDigest<sup>11</sup>



## Keeping You and Your Pet Healthy

Maybe all that chasing your new puppy around the house or yard will make your heart strong. And walking your dog is definitely good exercise.

Your adorable cat may help soothe that savage beast within—after a tough day at the office or tending to stressful daily activities.

While pet ownership may provide health benefits, you should take a few precautions to prevent either of you from getting sick.

Pet kisses? Yikes! Bad news. Pets' mouths teem with bacteria and parasites. Salmonella and campylobacter can even be found on some dogs' tongues.

Can you make your pet sick? And can your pet return the favor? Yes, yes. In fact, pets have contracted H1N1 flu from ill owners. Vets recommend frequent hand washing and separate beds when you're sick. E. coli bacteria and MRSA (a "superbug") can be passed from pets to people.

Tips adapted from WebMD<sup>12</sup>



## Turning Your Holidays Green

'Tis the season to be merry. And green. With the holiday season underway, we can still be environmentally friendly.

Here are some ways to make your celebrations more joyous, for you and the planet.

**Travel green.** The end-of-year holidays are typically some of most frequently travelled days of the year. Planning your trips carefully can keep you safe and contribute to a greener earth. Here are a few tips:<sup>13</sup>

1. Determine where and how far you plan to go.
2. Consider how you're going to travel.
3. Select the most environmentally friendly places to stay.

**Shop green.** Focus on buying food that is locally grown and fresh. Make green choices when you're decorating.

**Give green.** Some of the best gifts are also the sturdiest and the easiest to repair and reuse. Here are a few unique ideas:<sup>14</sup>

- Backpacks from recycled billboards
- Bracelets from recycled flip-flops
- Bamboo cooking utensils instead of plastic
- Biodegradable and compostable phone cases
- Yoga mats from recycled wetsuits

**Resolve green.** Once the holidays are over, continue your focus. Make your green holidays into a green lifestyle.

Tip adapted from EarthShare<sup>15</sup>

### ***Share the Wealth of Knowledge!***

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The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia, and Southeast Asia.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

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<sup>1</sup> <https://www.cnbc.com/2018/12/14/us-stock-futures-dow-jones-sp-500-nasdaq-to-open-lower-on-friday.html>

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- <sup>2</sup> <http://performance.morningstar.com/Performance/index-c/performance-return.action?t=SPX&region=usa&culture=en-US>
- <http://performance.morningstar.com/Performance/index-c/performance-return.action?t=%21DJI&region=usa&culture=en-US>
- <http://performance.morningstar.com/Performance/index-c/performance-return.action?t=@CCO>
- <sup>3</sup> <https://www.msci.com/end-of-day-data-search>
- <sup>4</sup> <https://www.reuters.com/article/us-usa-stocks-weekahead/wall-st-looks-to-fed-outlook-wednesday-for-early-christmas-gift-idUSKBN1OD2E7>
- <sup>5</sup> <https://www.cnbc.com/2018/12/14/us-stock-futures-dow-jones-sp-500-nasdaq-to-open-lower-on-friday.html>
- <sup>6</sup> <https://www.reuters.com/article/us-usa-stocks/wall-st-tumbles-on-global-growth-worries-ji-decline-idUSKBN1OD1HP>
- <sup>7</sup> <https://www.bloomberg.com/news/articles/2018-12-13/asia-stocks-to-dip-as-rally-stalls-dollar-climbs-markets-wrap?srnd=markets-vp>
- <sup>8</sup> <https://www.reuters.com/article/us-usa-stocks-weekahead/wall-st-looks-to-fed-outlook-wednesday-for-early-christmas-gift-idUSKBN1OD2E7>
- <sup>9</sup> <https://www.goodhousekeeping.com/food-recipes/a40363/almost-mongolian-beef-satay-skewers-recipe/>
- <sup>10</sup> <https://www.irs.gov/newsroom/heres-how-tax-reform-changed-accounting-methods-for-small-businesses>
- <sup>11</sup> <https://www.golfdigest.com/story/never-chunk-a-chip-again>
- <sup>12</sup> <https://pets.webmd.com/ss/slideshow-surprising-things-about-dogs-and-cats>
- <sup>13</sup> [https://wwf.panda.org/get\\_involved/live\\_green/travel/on\\_vacation/](https://wwf.panda.org/get_involved/live_green/travel/on_vacation/)
- <sup>14</sup> <https://www.buzzfeed.com/whitneyjefferson/eco-friendly-gifts-to-give-this-year>
- <sup>15</sup> <https://www.earthshare.org/holidays/>