



THE CURRENT VIEW

Volatility appears to be back. Expected returns for financial assets are forecast to be lower than historical averages.

Investors were reminded that markets move in both directions in the first quarter of 2018 as volatility, which had been almost non-existent for an extended period of time, returned with a vengeance. In our quarterly letter we outlined the roller-coaster nature of the equity markets and in spite of ending the period with only a modest decline in stock prices, it appears that investor appetite for risk assets might be changing.

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Almost ten years ago, we postulated that returns for financial assets in the ensuing years were likely to be above average. At the time, valuations were low, the markets were still reeling from the financial crisis, and investor expectations were extremely modest. Returns for this period, were indeed robust.

Today we have a much different economic picture and a more cautious market outlook. The current economic expansion is long by historical standards, unemployment is at record low levels, and consumer confidence is sky high. The recently enacted tax plan is designed to put more funds in the hands of both the consumer and corporations to fuel further growth. With the economic picture seemingly so bright, why not a correspondingly rosy market outlook?



THE CURRENT VIEW: (continued)

Our view has now reversed and we believe that we are in a period where expected returns for financial assets in the United States are likely to be below average. A number of factors lend support to our outlook. First, from the lows of the markets in 2009, we have seen equity markets in the United States generate annualized returns of 19%, well in excess of their historical average. It is not likely that this trend will continue and in fact, it is far more likely that we will see a reversion to the mean. Secondly, we believe that we have seen the cyclical lows in both interest rates and inflation making it a more difficult environment for bonds as well.

Markets can certainly move higher from these levels in the short term. Strong corporate earnings growth could outweigh modest interest rate increases, propelling prices upward. However, it is clear to us that risks are elevated and that the volatility witnessed in the first quarter is likely to continue.

Managing portfolios in this environment can be tricky. Not only are there more headwinds to deal with in the financial markets, investor resolve can also be tested. It is much easier to adhere to long-term strategies when there is positive momentum in the market. Conversely, the sometimes violent swings associated with a choppy market can cause some to act on impulse, often to their detriment. We strongly believe following your long-term strategy and remaining invested in a well-diversified portfolio is the best way to manage through more challenging times. Increased volatility will bring with it ample opportunities to rebalance or trade portfolios at attractive entry points both among and within asset classes.



BOYS, ARNOLD SPOTLIGHT ON JENNIFER WITT



On April 1, 1990 Jennifer began her career at the G. Waring Boys Company, which later became Boys, Arnold & Company. She had prior experience at Robinson Humphrey. She witnessed the introduction of personal computers at Boys, Arnold and many software programs that increased efficiency and reduced paperwork. Jennifer became the Senior Administrator, responsible for hiring and training the “back office” team. These professionals work closely with both counselors and clients, to provide the superior levels of service our clients have come to expect.

A couple of years ago, Jennifer started to reduce her work hours, with the intention of fully retiring in 2018. It is with much trepidation, abundant appreciation and great respect that we announce Jennifer will achieve her goal on May 31, 2018. She is looking forward to spending more time with her four grandsons, Jude, Hayden, Hunter and Holden, doing some long postponed travel, and spending free time gardening and being with friends and loved ones, near and far. She may even get another dog!

We wish Jennifer the very best, and thank her for her many years of service and dedication. So long good friend, but not Good-Bye!

Thank you for your trust in us. We value our relationship with you. If you have friends, family or colleagues that could benefit from our range of Wealth Management services, we would be honored by your referral.

Meet the Boys, Arnold team
and see how we can help you.

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