THE CURRENT VIEW

October volatility tests investor patience.

Mid-terms, interest rates and tariffs causing market angst.

Following a surprisingly strong 3rd quarter, investors were quickly reminded of October's historical volatility by the sharp sell-off in stocks so far this month. The decline saw the Dow Jones Industrial average fall 4% during the 1st week of the month, serving notice that markets do in fact move in both directions. The threat of rising interest rates, a trade war with China and increasing Federal deficits are likely to continue to weigh on the markets as they digest earnings and the upcoming mid-term election results.

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At the start of 2018, we envisioned an average year for equities and likely below-average returns for the bond markets. Entering the quarter, the U.S. equity market has outperformed this outlook, while global stock returns have disappointed. The environment for fixed income has been more difficult than anticipated, with results negative in most cases. It is likely that 2018 will not be remembered as a stellar year for financial asset returns.

Turning our attention towards next year, we see a continuation of global economic growth, a domestic economy that is making progress, and a polarized electorate. Unemployment that remains at record low levels should buoy consumer confidence, while corporate earnings are poised to rise, albeit at a slower pace. No matter the outcome of the election, we expect the turbulent political environment to persist.

Against this backdrop, it could still be tough sledding for both domestic stocks and bonds, as cash returns become more competitive against other fixed income offerings and stocks face the specter of both valuation concerns and slowing earnings growth. From an asset allocation viewpoint, we are comfortable holding more cash than usual, having a shorter duration than the index on our bond holdings and maintaining a neutral weighting for equities. A large correction (10%) in the equity market, absent a change in our economic forecast, would increase our appetite for stocks.

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

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YEAR-END PLANNING

As we move closer to the end of the year, planning issues move to the forefront. We will be reviewing accounts to minimize your tax exposure to capital gains. We encourage you to touch base with your tax advisor to determine whether the changes in the tax code will impact your decision to itemize deductions or not, as the standard deduction has increased significantly this year ($24,000 for married couples/$12,000 per individual). For those who do not itemize, and have reached 70 ½ years of age and have charitable intent, it may be beneficial to make charitable contributions directly from your IRA. This will reduce your RMD and hence your taxable income. As always, check with your CPA to see if this strategy makes sense for you. We are available to answer any questions or concerns that you may have.

BOYS, ARNOLD SPOTLIGHT ON
Sue Schwein

Boys, Arnold welcomed Sue Schwein as a financial consultant in July of this year. Sue joins us most recently from the Episcopal Diocese of Western North Carolina where she served as the Chief Financial Officer. She enjoyed 17 years in the banking industry and is a C.P.A. Sue earned her M.B.A at the Belk College of Business at UNC-Charlotte.

We look forward to Sue's involvement with trusts, compliance, and many other aspects of Boys, Arnold & Company and Boys, Arnold Trust Company.

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