

BUILD & PROTECT

A PUBLICATION OF
CATAMOUNT
WEALTH MANAGEMENT
V29 April 2018

Volatility Had An Early Spring

But Fundamentals Will Have Its Day in the Sun

After roughly eight and a half years of declining volatility, it finally blossomed in the depths of winter. Despite being up nearly 6% in January, the S&P 500 was down 0.8% for the quarter, its first loss in 10 quarters. Additionally, it ended March more than 10% off those highs, the technical definition of a correction, which is its first since early-2016.

Having said that, we still feel optimistic about the market's prospects as accelerating earnings are likely to renew confidence in the global economic backdrop and will show the early – and underappreciated – benefits from tax reform enacted late-2017. Additionally, we believe a portion of the current “tantrum” is exacerbated by the media and cooler heads will prevail in time.

As the record 15-month consecutive upward move for the S&P 500's total returns ended in February, it comes as no surprise that investors' comfort zones have shifted. Last year was a banner year and markets forgot that corrections are normal by historic standards. What was uncommon, however, was lack of volatility and extremely low interest rates. What's more, the S&P had not seen even a 5% decline for more than 400 days, surpassing the previous record set in 1996. As we discussed last quarter, some sort of correction was long overdue. The extensive positive trend, coupled with strengthening economic data, brought a very long spell of unusually low market volatility. We are now in a global reset of expectations, but Catamount still expects markets to be higher by year-end and continue with watchful patience.

What's clear is that the fundamentals remain bright. The global economy continues to expand at a robust pace and, most importantly, not fast enough domestically or abroad to cause overheating. Monetary policy remains relatively loose. Healthy growth in the United States has helped fuel corporate profits, which are likely to expand further from tax reform. The improved corporate balance sheets will, in turn, free up capital to invest for growth and allow for higher wages and share buybacks, an important factor not to overlook.

Moreover, earnings growth is expected to accelerate, and the relatively dormant initial public offering activity has improved.

Earnings estimates for the first quarter are expected to be up 18.6% year-over-year, and registered the largest intra-quarter revision since at least 2002. Because of higher earnings and a pullback in the market, the S&P 500 is now trading at a price to earnings ratio of 16.6X, which is just slightly above the 16.4X average since 2000. On the IPO front, roughly \$15.6 billion was raised in new offerings in the first quarter, up 43% from last quarter and 58% higher than the same period last year. This activity seems to have continued early in the second quarter, which is typically a good indicator of corporate confidence and institutional investor appetite.

While underlying trends remain positive, there are a few perceived headwinds holding back the markets at the moment. These are unrelated, but have bubbled up to the surface at the same time. The prospect of higher inflation, the risk of less quantitative easing in Europe and Japan, the sudden move towards tariffs/protectionism, and the technology sector's “woes” provide a bit of a perfect storm to rattle the complacent. We have studied each of these issues and feel that they are unlikely to impede fundamentals or growth rates. While headlines appear gloomy, we are monitoring the increase in volatility to determine if the best course of action is to add to our more defensive investments or our highest conviction ideas across the leaders of tomorrow.



Protect Your ID and Documents on Vacation

What would you do if you lost your passport while traveling abroad?



KEY TAKEAWAYS

- ✓ Before traveling, make copies of your ID and travel documents.
- ✓ Keep one copy hidden in your suitcase; give another set to someone at home.
- ✓ Scan your documents and keep an electronic copy as well.

When embarking on vacation, take steps to keep these documents safe and accessible as you travel.

Health-related information. When traveling overseas, you may find yourself in situations where you need information about your current vaccinations. For instance, some countries in Central and South America, and also in Africa, require tourists to have a certificate showing they've had a yellow fever vaccination. For both domestic and international travel, it's also a good idea to bring a letter from your doctor for any medications you may need, plus contact information for your doctor.

Travel documents and personal identification. When traveling internationally, having your passport and other forms of identification, like a driver's license, is essential. You may also need a visa, depending on the country you're visiting.

Emergency contacts. If you're on the road, it makes sense to have emergency contact information close at hand in case unexpected problems arise. For international trips, you may want to store addresses and phone numbers for the closest U.S. embassies or consulates.

Travel itineraries.

Vacations often entail a lot of details—flight information, hotel reservations, rental car bookings, and sightseeing tour logistics. Organizing this information in one place can make traveling less stressful, and digital versions can be shared with others for their reference as well.

How do I keep all this secure?

Because you can never be too careful, or too prepared, make two color copies of all your identification and travel documents. Keep one set of copies snug in your suitcase and give the other set to someone at home. Scan your documents and securely store an electronic copy. You have a few options for doing this—you can email the documents to yourself, use a thumb drive to hold everything, or upload your copies to an online document storage company.

In the event that your passport is lost or stolen, being able to show copies of it will make it much easier to get a replacement from the U.S. State Department. If you are visiting a country that requires a visa, you may also want to retain a digital copy of this document in a secure, digital archive. You never know what could happen to your luggage when traveling. Having the digital copies could give you some peace of mind—with access to the Internet, documents can be uploaded, shared, and retrieved anytime and anywhere. That way you'll know you're ready for whatever adventures lie ahead.

You and a Guest are Invited to

A discussion on how recent changes to the federal and Connecticut estate tax laws may affect your estate plan with

Edward Marcantonio
Principal, Hermenze & Marcantonio LLC

Wednesday
APRIL 25
6:00-7:30pm

Blackstones Grill
2600 Post Road
Southport, CT

Dinner will be served
RSVP by April 20, 2018

Welcome Traci Provost to Catamount Team.

We are excited to welcome **Traci Provost**, Client Advisor, to the Catamount team. Traci is a Certified Divorce Financial Analyst™ and concentrates on divorce and financial planning. In her past endeavors, she has been responsible for business development, financial educational outreach, marketing and client relations at other financial firms. Traci made the career change to financial services because of her own personal experience. She was in the apparel business for 23 years, part of the family that founded Fairway & Greene, a golf apparel company, which was sold to private investors in 2005. It was at that time that Traci realized she wanted to know more about personal finance and decided to work with clients to help educate and empower them so they can make healthy financial decisions. Traci resides in Southport, married to her high school sweetheart, and they have two grown sons.