3RD QUARTER 2019 RETIREMENT PLAN NEWSLETTER

Current Issues and Trends for
Retirement Plan Participants

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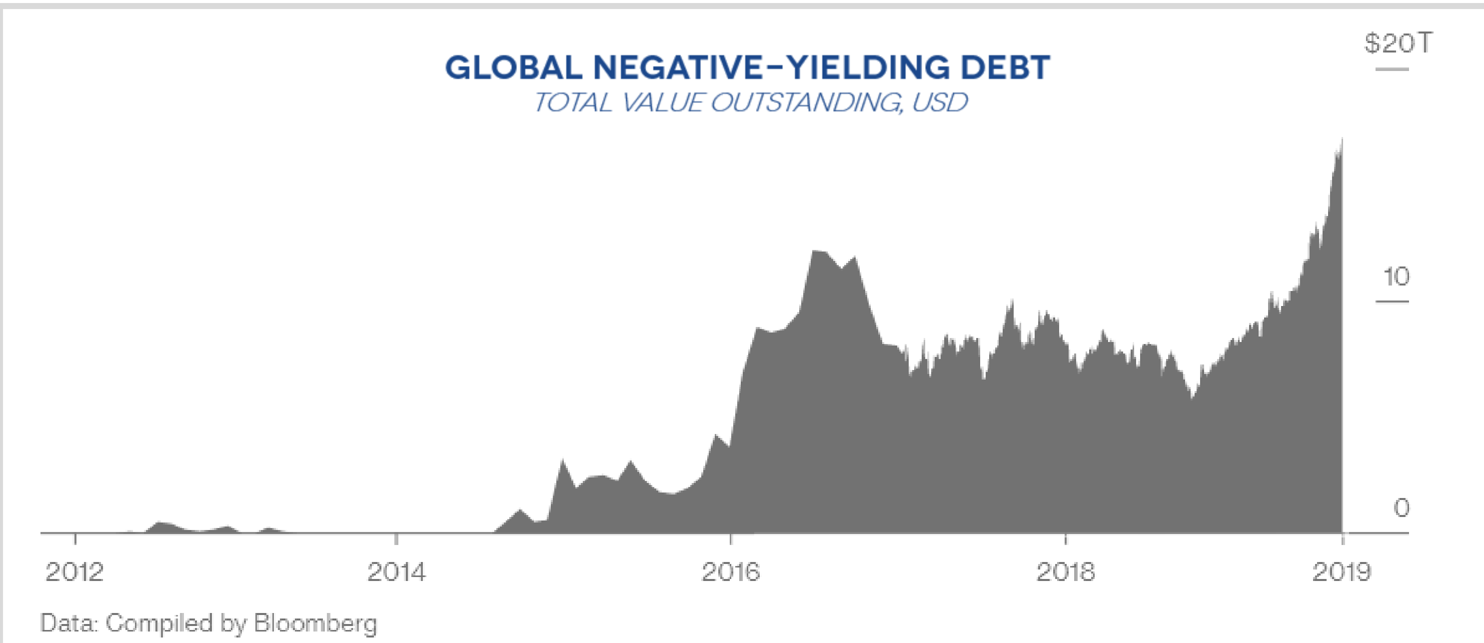
Information Overload: playing the long game in a world of uncertainty

HOW DID MARKETS PERFORM IN THE 3ND QUARTER?

Volatility was the name of the game in the third quarter. Investors struggled to read the tea leaves in a news cycle that seemed to raise new questions—and stoke old fears—at every turn. The S&P 500 had a choppy three months, returning 1.19% to close the quarter on a temporary high note. International markets fared little better, with the MSCI EAFE ex-US Index (which tracks developed markets outside the US) falling 1.31% since July 1st. Emerging markets lagged even farther behind, posting a loss of just over 4%.

Bond markets, however, might have been the most interesting "story-tellers" this quarter. In August, the global amount of negative-yielding government debt ballooned to over $15 trillion. While "negative-yielding" may sound like finance jargon, "yield" simply refers to the stated return on a bond investment. "Negative-yielding government debt," in other words, means people are actually *paying governments to hold their money*, rather than lenders paying *them* (as is "typically" the case when yields are positive). US government bonds are still in positive territory, but the global trend is unprecedented: investors feel so uncertain about the future that they would rather *guarantee a small loss* than take on equity market risk.



WHAT (DIDN'T?!) MOVE MARKETS IN THE 3RD QUARTER?

The sheer number of big, newsworthy events this quarter is hard to digest: Trade talks with China stalled, re-started, and stalled again. Tensions with Iran escalated. Saudi Arabia's oil supply was threatened. The Federal Reserve cut interest rates. Congress started impeachment proceedings. Unsurprisingly, each and every one of these events caused sharp equity market swings, both as the news broke and in the immediate aftermath.

In the face of so much uncertainty, the question we are left with is this: *do these market movements signal something broader about the health of the global economy or the spending habits of the US consumer?* Or are markets simply absorbing investors' "knee-jerk" reaction to the latest news? The former is what we care about—the latter is the kind of volatility we can live with.

While we cannot answer definitively either way, we can say that current data still paints a relatively healthy picture of the US economy. Unemployment remains low, consumer confidence remains high, and—perhaps most importantly--the personal savings rate has reached a 20-year high to sit at 8%. If economic downturns are fueled by economic excess, these metrics paint a much more comforting picture.

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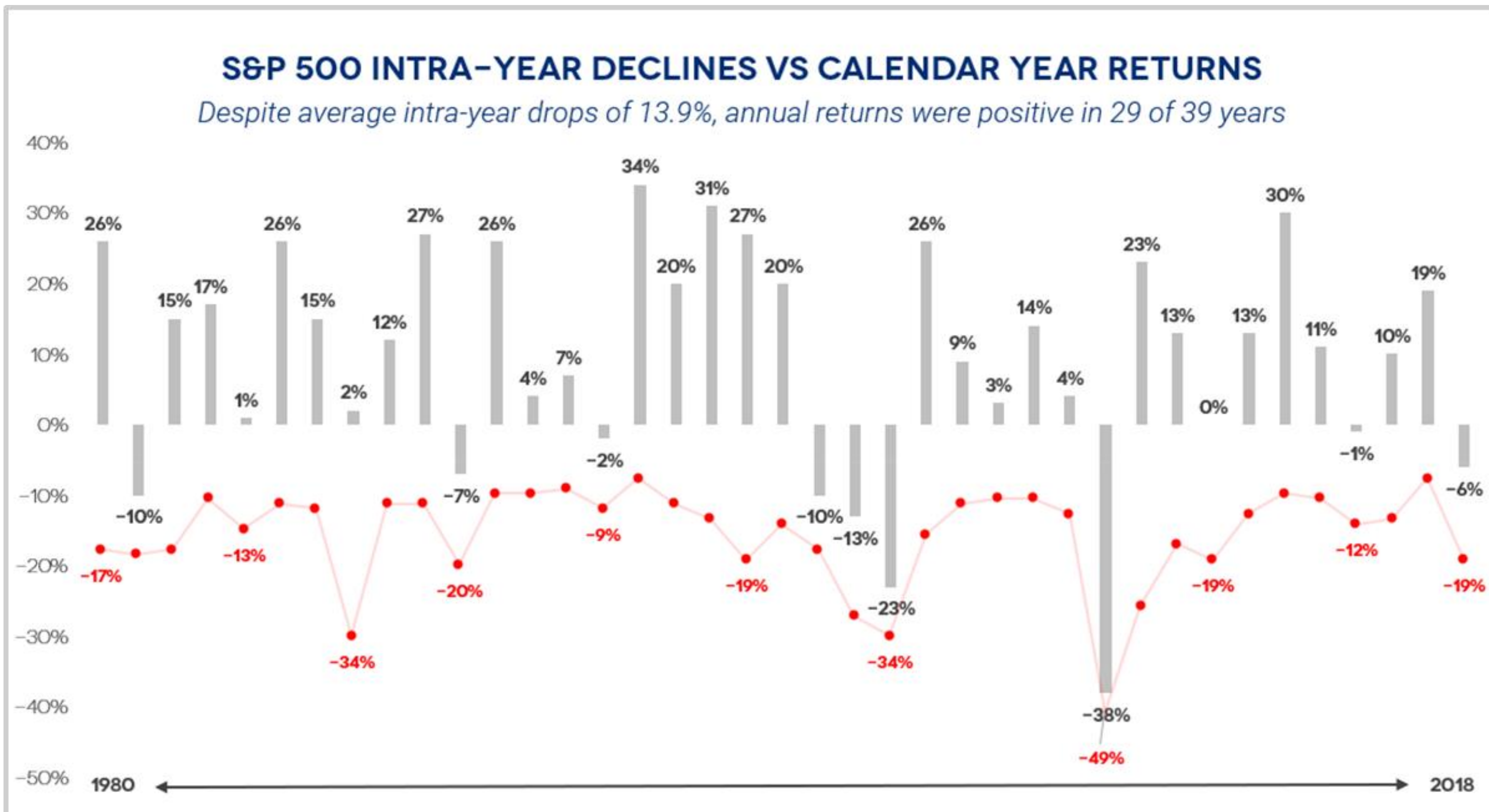
WHAT DOES THIS MEAN FOR RETIREMENT SAVERS?

…good question. We aren't exactly sure what this means for retirement savers, because we aren't exactly sure what this means for anyone. Will the president be impeached? Will the Federal Reserve continue to lower rates? Will the US consumer continue to spend money under this kind of uncertainty? And perhaps the kicker: *Will resolving any of these questions have any effect on the stock market?*

If anyone proposes an investment strategy based on the answers to these questions, they 1) own a faulty crystal ball; or 2) they are making a bet that your uncertainty will drive you to line their pockets. The best kind of investment advice in times like these is also the hardest to follow: wait. Emotional decisions made with imperfect information have never saved anyone money. Instead, take each day, data point, and market swing as it comes, and ask yourself: is there any reason to believe that the long-term investment thesis behind my current portfolio can or should change? If the answer is yes, make a change. If the answer is no, set it aside. Ask the same question again when you have more complete and/or different information. But for now, welcome to the waiting game! You're in good company.

If you have additional questions or would like to chat about your portfolio, give us a shout! Faircourt advisors are here to chat 24/7 via questions@faircourtpartners.com.



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