

Domestic stocks trembled throughout October

A year ago, domestic equity indexes showed sustained strength through the month of October. This year, October offered investors tricks and treats in both global and domestic markets. In the end, all the major domestic indices were down for the month. Some blame the volatility on earnings; some on geopolitical and economic news, while others point to the specter of higher interest rates and world trade disruption. On the brighter side, the U.S. major equity indices remain positive year to date, although the small-cap Russell 2000 is an exception.

While the U.S. is in great shape when it comes to economic and earnings growth, it may be more difficult to surprise on the upside, adding to the possibility of short-term volatility, explains Nick Lacy, chief portfolio strategist for Raymond James Asset Management Services. In addition, the Federal Reserve (Fed) is likely to raise rates again in December for multiple reasons, according to Chief Investment Strategist Jeff Saut. "The economy is strong, and the Fed is attempting to get to a 'neutral rate' in case the economy softens," he added. The good news, he says, is that the market is oversold, and he is seeing bullish indicators for investors to redeploy cash.

Trade relations with China will be in focus in November with a potential meeting between President Trump and China's President Xi reportedly being planned for the G20 summit, explains Washington Policy Analyst Ed Mills. The two sides have been at an impasse and are unlikely to come to a resolution in November. If talks continue to trend downward, the chances of an additional tariff on the remaining \$267 billion of Chinese imports increase as the U.S. seeks further leverage. This is in addition to the 25% tariff set to go into effect on \$200 billion of Chinese imports starting January 2019, currently set at 10%.

In Mills' view, the upcoming midterm election is likely to shift the balance of power in Washington. Polls and forecasts are projecting a split result in Congress. Markets may react short term to election results – but longer term, Mills sees major policy shifts as unlikely with a divided legislative branch.

	12/29/17 Close	10/31/18 Close	Change Year to Date	% Gain/Loss Year to Date
DJIA	24,719.22	25,115.76	+396.54	+1.60%
NASDAQ	6,903.39	7,305.90	+402.51	+5.83%
S&P 500	2,673.61	2,711.61	+38.00	+1.42%
MSCI EAFE	2,050.79	1,788.76	-262.03	-12.78%
Russell 2000	1,535.51	1,511.39	-24.12	-1.57%
Bloomberg Barclays Aggregate Bond	2,046.37	2,002.30	-44.07	-2.15%

Performance reflects price returns as of 4:30 EDT on Oct. 31, 2018. EAFE performance reflects the previous close.

Should anything change, I'll be sure to keep you updated on anything that could affect your long-term financial plan. Thank you for your trust in me.

Sincerely,

Amy Smith, CFP®
 Financial Advisor, RJFS

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