

## Where To From Here

As a sophomore in high school, the path ahead seemed pretty clear. Having seen the Naval Flight Demonstration Team, the Blue Angels, and thinking that was the coolest thing ever, I developed a plan to do that one day. Though the outcome was slightly different, the next 13 years lead to the Naval Academy, a commission in the Marine Corps, earning the wings of a Naval Aviator and serving as a helicopter pilot in the Fleet Marine Force. What was far less clear was what to do after that in 1983. There was no clear vision for the next pursuit in a civilian career. One thing was sure though and that was the need to move forward, as is always true.

### Overdue Pause Button

We all enjoy modern conveniences and the ability to pause, rewind and play a favorite TV show, sporting event or movie. Other times we instead want to fast forward, to the chagrin of many an advertiser. Unfortunately as investors there is no such functionality to the markets or to our experience as investors. Still, markets themselves advance, pull back and sometimes seem to pause while deciding which direction to move next. Despite some big up and down days recently, it feels like the markets are pausing to take in current pricing levels, trade "negotiations", rising interest rates and at the same time continued economic growth and generally good economic numbers. As an advisor and investor, this seems a bit overdue to me.

### What Happens Next?

While it would be great to know that, as one very wise person once sarcastically said, it is really hard to know the unknowable. One of the things many economists and market observers watch closely is what they call the "slope of the yield curve."

Here is a link to create a comparison of the yield curve this year and last year from the US Treasury: <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/Historic-Yield-Data-Visualization.aspx> Once on the website, find "Choose a Date" and check the box next to "Select to Compare Date" and enter 2017, March, 30. Click "Go" by "Update Chart."

You can see the curve last year had a larger slope from left to right. When the curve goes the other direction, when it becomes higher on the left than on the right, is when the economy often encounters difficulties. The recent trend of the curve suggests more caution this year than last.

### Other Indicators

Lots of other measurements look very positive right now. Consumer sentiment, business sentiment, employment, different growth measures for orders of various goods, retail sales and corporate earnings numbers all look relatively good. While continue growth seems to be in the cards, it looks more like modest growth than growth that might be described as robust. Given all this, most economists and market professionals believe the markets will be positive for the remainder of the year, but only modestly so.

## **Hold On To Your Seats**

Last year was a very unusual year for the markets. Historically it was one of the least volatile years, with the ups and downs being much more moderate than most years. In particular, the year was very gentle on investors when it came to the moderate size and number of days that it went down. Even just in the first quarter of 2018 it has been a bumpier ride than it was for the entirety of 2017. My sense is that we will see more of this higher volatility trend for the remainder of 2018.

## **Moderation**

As with most things in life, now seems like a good time to keep a moderate amount of risk in your investments. There are a variety of different ways to keep from having all of your eggs in one basket. Now would be a good time to review where all of your "eggs" are located. Evaluating the baskets for their potential risk and reward is a constant process that Tasia and I undertake on a weekly basis.

## **Bottom Line**

Last year was a very good year for riskier assets, perhaps better than prudence might recommend. By lots of different measures stocks, particularly in the US, seem to have reached price levels that make them expensive relative to the sales, earnings and book value of the companies themselves. The market taking a pause here is a good and healthy thing. No one knows for sure, however most observers suggest positive returns for investments from where we find ourselves today. For now, that seems like where we are headed.

## **Your Feedback**

I would love feedback on this newsletter. Future issues may include a host of good ideas, insights, specific steps to take financially, life insights and of course "Wit and Wisdom". Most importantly, I'd like it to be of value to you and to encourage an exchange of great ideas and insights. Please send your feedback to:

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