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"The market can stay irrational longer than you can stay solvent"
– John Maynard Keynes, British economist, 1883 – 1946

Look Back- 1st Quarter 2018

Just when we thought the stock and bond markets were destined to continue their relatively smooth upward trend - SURPRISE – volatility and a market correction returned before the end of the first quarter 2018. After one of the best January starts in U.S. stock market history, the market tumbled into correction territory in February and continued with heightened volatility in March. The S&P 500 rose more than 5% in the first month of the New Year reaching a peak on January 26 but it was mostly down-hill from there despite a minor rebound in March. It is of interest to note that the last time the S&P 500 gained more than 5% in January and then closed the quarter with a loss was in 1980. The lone exception to the loss column for the major market indexes in quarter one was a positive return for the NASDAQ composite.

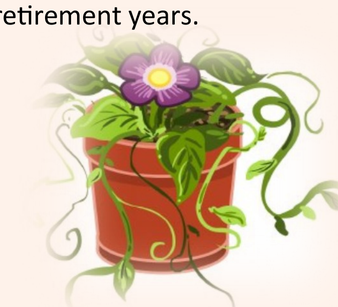
An overview of first quarter 2018 returns saw the S&P 500 down -1.2% for its first quarterly loss since 2015. The Dow Jones Industrial Average (DOW) had a moderately larger loss than the S&P 500 and ended the quarter off by -2.5%; the small cap Russell 2000 was down slightly at -0.4%. The only bright spot among the major averages was the tech heavy NASDAQ Composite with a quarterly gain of +2.3% (Source: Wall Street Journal 4-2-2018).

On the mutual fund side of investing, the Average U.S. Stock Mutual Fund was down -0.4% in the first three months of 2018. There was a fairly large divergence in the categories of the funds themselves as large-cap growth led the way with a +3.00 return in the quarter. In contrast, Large-Cap Value was among the bigger losers with a -2.5% return. Individual sector funds always seem to have a tendency to amplify gains and exacerbate losses and this quarter was not an exception. Gold Oriented (-7.2%), Real Estate (-6.7%) and Natural Resource (-6.4%) Funds led the way down while Science & Technology (+3.9%) and Health/Biotechnology (+1.4%) led the way up. It should be pointed out that there were more down sectors than up sectors in the quarter. The overall category winner among mutual funds was Latin America with an average return of +5.6%. We should also remember that everything quoted here is an average rate of return and that any specific fund could have greater or lesser returns than the average (Source: Wall Street Journal 4-9-2018).

In the fixed income realm, the Average Taxable Bond Fund was down -0.6%. Of the ten taxable bond categories covered in the Wall Street Journal, only one, World Bond (+0.8%) showed an average positive return for the 1st quarter 2018. Of the four municipal bond categories covered in the Journal, none had an average positive return for the quarter. Many people think of bonds as a safe harbor from the storm that can be associated with the stock market but that is not always necessarily true. When interests rates are rising or have the potential to rise, bond funds can experience downturns. In a recent article that I read, the author felt that our 35 year bull market in bonds could be coming to an end. While that may not be totally true, bonds can experience fluctuations in value and must be watched and evaluated as any other investment.

To sum it up, the overall stock and bond markets in the first quarter 2018 did not produce many areas of positive returns; however, most market analysts seem to think the declines were probably a typical market correction within an ongoing bull market. A market correction is defined as a loss greater than a 10% loss in the S&P 500. A minor correction is defined as a loss of 5-10% of the S&P. Since 2008, there have been eleven market corrections of the S&P 500. Corrections are a normal part of market behavior. We just have not seen any corrections since late 2015/early 2016 until now. On the other hand, bear markets are defined as a decline in the S&P 500 of 20% or greater. Since the beginning of 2000, we have only seen two bear markets. The first bear market of this period began in 2000 and lasted through most of 2002 – a period of 929 days producing a loss of -49.1%. The second bear market began toward the end of 2007 and lasted to early 2009 – a period of 517 days producing a loss of -56.8%. In our recent 2018 first quarter correction, the downturn only lasted 13 days and produced a -10.2% loss. While no one likes to see their accounts go down, periodic losses are part of the investing process that we must go through to obtain the possibility of greater returns. That being said, our goal should be to control small losses so that they do not turn into larger bear market losses, especially in our retirement years.

In closing, I have been patiently waiting since the beginning of April for the real spring to arrive. My John Deere tractor is ready to go and it is tree planting time. As an FYI, I will be at an out of town financial conference from April 20-27. This month's guest article is from the AARP Bulletin and discusses the new Medicare cards that will be issued beginning April 1. If you or anyone you know is over 65, please read this article. Think spring and take good care!!!



New Medicare Cards Coming Soon

By Dena Bunis, AARP Bulletin, Condensed from October 2017, February 2018, April 2018

According to a new AARP survey, more than three-quarters of Americans over age 65 know little or nothing about the federal government's initiative to replace their Medicare cards. And that makes them susceptible to scammers intent on taking advantage of the confusion. To fight fraud, the government is removing personal info from your ID.

Congress has come up with a way to make it harder for Medicare scammers to steal your ID and rip you off. The solution: new Medicare cards that don't include your Social Security number, gender or signature. The new cards start going into the mail on April 1, 2018. Each will feature a computer-generated Medicare beneficiary identifier (MBI) assigned just to you. The MBI, made up of 11 numbers and letters, will be used for billing, to verify eligibility for services and to check the status of a claim.

These changes will make it considerably harder for criminals to steal your identity. According to the Justice Department, the number of identity-theft cases for people 65 or older hit 2.6 million in 2014. But true to their nature, scammers are already using the moment to target the 58 million people who will be getting new cards next year.

The Federal Trade Commission reports that rip-off artists are now calling beneficiaries, pretending to be from Medicare. Three common pitches are:

1. You're asked for your Social Security number and bank information so you can get the new card. Hang up! Medicare will never call you and never ask for such information.

2. You're asked to pay for your new card. Hang up! The new card is free.

3. You're told you'll lose your Medicare benefits if you don't give them money and personal information right now. Hang up! The free card will be sent to you automatically. Your benefits will remain the same.

Mailing cards to so many people is a big job. So it will take time. Don't worry if you get your card before or after your spouse, or if friends or colleagues get theirs first. Medicare members have until Dec. 31, 2019, to begin using the new ID. Both the new card and your current card will be valid until then.

The Centers for Medicare and Medicare Services (CMS) announced the seven-stage rollout schedule for the replacement card, which has been redesigned to prevent fraud. The card is still red, white and blue, but it no longer includes a Social Security number, gender, signature or other personal information that could compromise a Medicare beneficiary's identity.

The mailing schedule:

- Delaware, the District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia: April-June 2018
- Alaska, American Samoa, California, Guam, Hawaii, Northern Mariana Islands, Oregon: April-June 2018
- Arkansas, Illinois, Indiana, Iowa, Kansas, Minnesota, Nebraska, North Dakota, Oklahoma, South Dakota, Wisconsin: After June 2018
- Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Rhode Island, Vermont: After June 2018
- Alabama, Florida, Georgia, North Carolina, South Carolina: After June 2018
- Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Texas, Utah, Washington, Wyoming: After June 2018
- Kentucky, Louisiana, Michigan, Mississippi, Missouri, Ohio, Puerto Rico, Tennessee, Virgin Islands: After June 2018

Before the mailing begins,

Beneficiaries should make sure their addresses are correct.

If you need to make a change, contact the Social Security Administration, which will be preparing and mailing the cards, at ssa.gov/myccount, or by calling

800-772-1213

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