Financial Tip$ from Andrew Kyriacou

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MARKET REPORT

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Andrew Kyriacou market report back again. Here are the questions and answers we're looking into in this issue: *Are we in the longest bull market ever? Why is this bull market important? Will a hike in interest rates arrest the market?* …let's dive into this market report.

Are We In The Longest Bull Market Ever?

The short answer is yes… but let me explain.

Basically, a **Bull Market** is a when the price of trading stocks are on a continual growth path or may grow according to the expectation of the investors. The most common definition for the start of a bull market is a rise of 20% in the market, and then regular growth throughout the extent of that Bull Market. A **Bear Market** then, is the continual decline of the market beginning with a 20% decrease in market price from the highest mark.

There are a few conflicting opinions about this current market, but for most investment advisors and strategists the current bull market began on March 9, 2009. This was just after the financial crisis had sunk the S&P 500 to an appalling low of 666.

On August 22 of this year, the current bull market turned 3,453 days old, making it the longest bull market in history.

Why is This Bull Market Important?

These markets are risky because you may get profits, or can get huge losses because your never know how long a bull market will last. There is no surety that you always get a profit.

As many of you have seen recently, the markets are trending down and volatility is spiking.

Well, it seems that the "elephant" in the room is now being noticed. Whenever a bull market last for 'just a little bit too long' investors, banks, and world economies start to become cautious. This caution alone could lead to major declines.

The main reasons why we are seeing this volatility today in the markets, and maybe a correction within the US stock market, relates to:

1) the increase in US interest rates,

2) the strength of the US dollar,

3) commodity prices (particularly oil), and

4) more concerning tariff tensions.

In fact just this past week the International Monetary Fund (IMF) stated that worldwide growth is becoming more uneven among emerging market and developing economies, reflecting the combined influences of rising oil prices, higher yields in the United States. The IMF reduced their worldwide estimate for 2019 GDP and stated "the sentiment shifts following escalating trade tensions, and domestic political and policy could lead firms to postpone or forgo capital spending and hence slow down growth in investment and demand."

Will A Hike in Interest Rates Arrest This Bull Market?

By using the word ARREST, I obviously don't mean handcuffing and throwing in jail… I simply mean that certain factors will stop of interrupt the development of this current bull market.

We (financial advisors) anticipated rates moving higher in our clients bond portfolios. Even though the valuations of the bonds decrease with rates moving up, most of our portfolios are short to limited duration that will not only recoup any short term valuation volatility but, as the bonds come due, while rates are moving we will be capturing the higher rates of return on the new bonds. So, while the overall market may be arrested by the increased rates, this will add to the total return of your portfolio over time. In the short term the market volatility will increase.

As for the equity markets, it is best to be cautious of the mixed market conditions. Baring the geopolitical issues related to trade and tariffs, the US economy is projected to have a GDP between 2.5% and 3% in 2018. Further, the projection for 2019 GDP is around 2.5%. This would translate in single digit returns for the US equity markets.

However, you should be very cautious of geopolitical issues or that big elephant in the room in which interest rates may move up higher than expected and the trade tensions escalate which it will have a long term effect on the markets. This will eventually arrest to the entire market and send it into a downfall. Therefore, near term we believe the markets will continue to see volatility.

I am always very disciplined in my approach to maintain the appropriate liquidity for my clients to take into account market corrections. I also believe that the active managers who concentrate on companies with strong balance sheets, positive free cash flow, and high profit margins will fare better in these markets.

These days it's best to maintain a diversified approach to your portfolios that have weathered the storms in the previous market corrections. If you are well diversified your portfolios will not feel the full brunt of the recent sell off. However, with that there are still concerned and cautions. Besides the cash flow needs that you need in each of your portfolios, if you do have a need for additional cash within the next twelve to eighteen months you might consider holding that amount in a money market account.

The only thing certain we can predict is uncertainty, and therefore if you have a need for a large cash expenditure in the next twelve to eighteen months you should let your financial advisor know.

In the meantime, take the good Baron Rothschild's advice (tweaking it slightly), "buy when there is blood in the streets, even when it's your own". No action in this market may be the prudent action to take, as what you want to avoid is to sell low.

Be cautious and consult your financial advisor. These will be volatile times moving forward.