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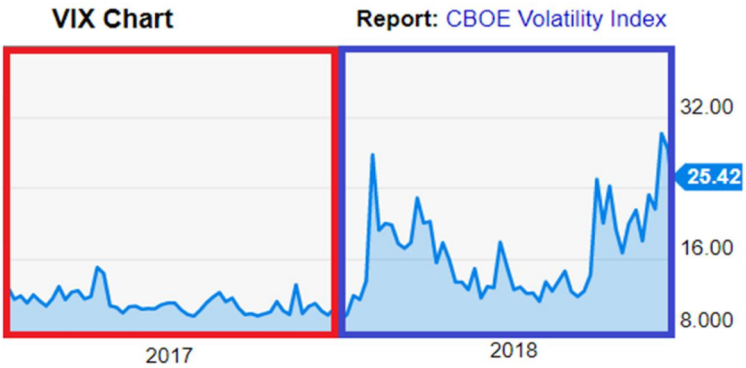
NEWTON'S THIRD LAW AND MARKET VOLATILITY

Sir Isaac Newton taught us that "For every action, there is an equal and opposite reaction." While this law applies scientifically to mass objects, we also see its relevance to stock market volatility.

2017 was one of the least volatile years since 1930. 2018 volatility increased more sharply than perhaps ever before, with one measurement (CBOE VIX) rising 156% year over year.

Some quick facts on recent market swings…

- The S&P was up or down > 1% nine times in December alone vs. eight times in all of 2017.
- Last month was the worst December for the S&P and the Dow since 1931.
- The Dow had its best day ever—up more than 1,000 points—on 12/26/18.
- 12/24/18 was the worst-ever Christmas Eve for the Dow.
- Only eight times has the Dow ever swung 1,000+ points in a single session; five of those were in 2018.



These two volatility charts illustrate the marked contrast between the two years.

The good news is that, while investors instinctively dislike volatility, the 2018 average volatility (VIX) score of 16.6 is actually 15% lower than the average volatility for the past 25 years.

This is a good reminder to keep a long-term investor's view, keeping in mind that 2018 was, in many ways, a reversion toward the volatility mean. Don't be afraid to turn down the volume on your intake of the sensationalized and polarizing headlines and sound bites that have come to characterize today's media. Remember that volatility, corrections, bear markets, and recessions are normal parts of economic cycles and even represent buying opportunities for alert and prudent investors.

Predicting the market has always been a good way to look foolish quickly, and the current environment makes that even more apparent than usual. So, while we can't predict the wind, we will continue adjusting the sails as we evaluate conditions, investment instruments, and your situation.

Thank you for the privilege of helping you manage your assets toward your financial goals.

Sincerely,

John

John D. VanDyke