Leigh Baldwin & Co.

Investment Brokerage

Stock investors are rewarded for hanging in there.

For the fourth time in the past 18 months, at least one of the major averages has traded at or near an all-time high and that is where we ended the first half of 2019. In fact, most financial markets, including commodity prices, were trading in the plus as the second quarter is now in the books. For those keeping stats at home, the Dow, S&P, and Nasdaq are each up about 14%, 17%, and 21% respectively through six months, while the iShares Core US aggregate Bond ETF is up 5.89% for the half. These are pretty heady numbers, particularly coming off a very rugged fourth quarter in 2018, which sank many investments into negative territory for the year. As investors, and with a nod to the old Murphy's law, we need to be vigilant going forward and to ask ourselves, "what could possibly go wrong"..

It may be a bit sobering, but each of the aforementioned times that the markets have hit highs, they were followed by nasty sell-offs...witness the January 2018 high only to give it all back in February, the September 2018 highs that begot the worst December in a generation, and most recently, the April 2019 near highs, that triggered an over 5% drop in May. We may very well be in a trading range, with the highs punctuated by a full valuation of stocks, and the lows exasperated by the algorithmic computer trading models. As for bonds, it is very difficult to expect huge returns from interest rate sensitive fixed income as we deal with a 2% ten year and a 3%+ corporate bond level. So what is an investor to do? As we have said many times on these pages, a well-constructed, diverse portfolio gives you the best chance to stay in for the long-run and avoid selling at the worst times of a trading range. There are definitely times to take profits (or losses), and we certainly don't recommend leading with your chin, but we are reminded that a sale involves a replacement investment and it also involves a future decision as to when to buy an asset again.

With interest rates muted and the economy seemingly very strong, primarily based on employment statistics, our biggest fear (or Murphy's Law event) would be if the economy swung into a recession based on trade wars or some other external event from around the world. For now though, we will try to manage both risk and opportunity as we head full steam into the second half of the year. Thank you for your confidence in our firm.

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