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## Mitigating Risk

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### Bear Market Investment Strategies

The S&P 500 dropped in value by more than 50% in the 18 months between October 2007 and March 2009. We recently celebrated the 10-year anniversary of the S&P 500 climbing from that low point in early March 2009.

During that 10-year period, the index increased by more than 300%. Interest rates remain low and earnings growth is strong, even if less robust than in prior quarters. To state the obvious, nothing lasts forever. Many experts don't see a bear market or even a recession this year. However, each passing day brings us closer to the inevitable. It's not a question of if but when we will see the next bear market.

Attempting to time the market is seldom a winning strategy. Panicking during a fully expected bear market is not the answer either. One viable approach is to make sure you are properly allocated across asset types. We've all seen our portfolios gaining value since the great recession. The answer now is not to completely get out of the market. If an investor takes that approach human nature might prevail, and that investor may wait until months into the recovery to get back into stocks. Subsequently, they will most likely miss a good part of the next recovery.

Once your portfolio is properly allocated across different asset groups, don't rely on your paper gains. It makes sense to plan and budget with the assumption that your portfolio could be worth 20%-25% less at any time. If you maintain that mindset during a bear market and have sufficient dollars set aside to fund any withdrawals that might be needed over a 5 to 7 year period, you have positioned yourself to withstand a significant drop in portfolio value.

It won't be a stress-free period, but that approach proved useful to our clients during the Great Recession of 2007-2009. Thankfully, interest rates for some fixed-income options have improved over the past couple of years and the recent "hold steady" approach by their Federal Reserve has dampened the volatility of bond-type investments. Other investment options that do not have a direct linkage to the market that owning stocks convey are also reasonable alternatives to stock ownership in this environment.

### Tapping Into New Growth Sectors

Some of our clients have asked that a portion of their portfolio be invested in cannabis-related stocks. It's impossible to ignore this as a new growth sector. Canada became the first G7 nation to legalize cannabis in October 2018. More US states are legalizing medical and recreational cannabis use, which continues to expand the market.

The industry has grown to the point that there are now a handful of publicly traded companies, most of which are Canadian firms. Investing in individual stocks will come with substantial volatility as this sector matures. Another approach is to invest in funds that contain multiple cannabis-related stocks. There are a small number of cannabis-related exchange-traded funds, and some diversified mutual funds are adding cannabis stocks to their portfolios. Vanguard being out front in this regard.

Please contact your advisor for more in-depth information.

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# Market News

## First Quarter Market Summary Through 3/31

Index/Market	YTD
S&P 500 Index	13.65%
DJ Industrial Average	11.81%
Russell 3000	14.04%
Russell 2000	14.58%
Nasdaq	16.81%
MSCI EAFE Index	9.98%
Barclays US Agg Bond	2.94%
10-Year U.S. Treasuries (Yield)	3.12%
WTI Crude Oil	33.31%
LBMA Gold Price	1.28%
CBOE Market Volatility	-46.07%

Index/Market	YTD
Consumer Disc	15.73%
Consumer Staples	12.01%
Energy	16.43%
Financials	8.56%
Health Care	6.59%
Industrials	17.20%
Information Technology	19.86%
Materials	10.30%
Real Estate	17.53%
Telecom Services	13.98%
Utilities	10.84%

Source: [Morningstar.com](https://www.morningstar.com)

Global equity markets rallied in the first quarter behind central banks, backing off desires for tighter monetary policy. After major indexes suffered their worst quarter since the financial crisis at the end of 2018, US broad market indexes rallied to record their greatest quarterly gains since the financial crisis to start the new year. Technology once again led the way after finishing the fourth quarter as the second-worst performing sector.

## CCM Updates

### Trusted Contact

You may have recently received correspondence from one or more brokerage custodians (Schwab or Fidelity) asking that you add a Trusted Contact to your account(s). This FINRA regulatory requirement for brokerage firms can offer additional safeguards on your account(s). Our firm is committed to helping

clients navigate and, if desired, assist in adding a Trusted Contact.

## 2019 Annual Offer

Earlier this month we mailed our 2019 Annual Offer along with client quarterly statements. If you have any questions regarding these documents, please contact our office.

## In The News

### Durable or Recyclable? These Goals Tend to Clash



"Solar power has seen a boom, but what happens to all the panels in a few decades when they're no longer useful? And what about electronic devices with even shorter life spans?"

[Read more.](#)

### Can You Spot Email Phishing Scams?

"Identifying a phishing email isn't as easy as you might think. In fact, millions of people fall for bogus emails asking them to reset their Microsoft Outlook password, renew their TV license, or sign into their Apple account, every day. "

[Read more.](#)



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