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Why Did Stocks Drop? WEEKLY UPDATE - NOVEMBER 26, 2018

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Last week was a tough one for markets. The S&P 500 dropped 3.79% and experienced its worst results during a Thanksgiving week since 1939.^[1] While the index officially entered correction territory on Friday, it closed 10.2% below its most recent record high.^[2] Meanwhile, the Dow and NASDAQ continued the downward trend, losing 4.44%, and 4.26%, respectively.^[3] International stocks in the MSCI EAFE also declined, posting a 1.12% loss.^[4]

Reading these results may feel quite unpleasant and elicit concerns about what is ahead. As is often the case, the story behind the numbers can help us understand the complexity and what this performance means.

Why did stocks drop?

Plummeting oil prices were one of the biggest drivers behind the market's losses, as investors worried that too much oil is available.^[5] These concerns have contributed to oil experiencing seven weeks of losses in a row and dropping more than 20% so far this month.^[6]

While oil was a key focus last week, many other details were also on investors' minds. Major tech companies continued to struggle and posted sizable losses for the week.^[7] In addition, the markets still don't know how the Brexit deal, political challenges in Europe, and ongoing trade tension will all work out.^[8]

Examined together, these challenges can create questions about the strength of global growth.^[9]

Will the market losses continue?

No one can predict the future, but a few data points and perspectives can help

deepen understanding of the current environment. We believe the following two details are important for you to know:

1. Trading was light last week: The days before and after Thanksgiving had trading volume that was much lighter than normal, which often happens during this time period.^[10] This lower volume can exacerbate pricing trends, such as the declines we saw with oil.^[11] As a result, Friday's performance may be less significant than it seems on the surface.^[12]

2. Black Friday shopping was strong: Brick-and-mortar stores had people lined up for discounted buys, and online purchases were 28.6% higher than in 2017. The holiday season is very important for retailers, and these initial results indicate consumer spending may remain strong through year's end.^[13]

In the coming weeks, we will gain a clearer understanding of many market influences. President Trump and Chinese President Xi are scheduled to meet this week at the G20 summit to discuss trade. Right now, the markets may be assuming these talks won't solve the trade tension and that an economic slowdown could be ahead. Investors may also doubt whether oil-producing countries can slow production fast enough to counter reduced demand.^[14]

Other experts believe we are experiencing a disconnect between what investors are feeling and what is truly happening in the economy. As a result, a so-called "Santa Claus" rally could occur as consumer spending continues during the holiday season.^[15]

But these perspectives are opinions, not a crystal ball. No one can say for sure how these complex scenarios will play out. Rather than rely on guesswork or headlines, we'll continue to look for clear trends and insight that support your long-term goals. If you have questions or want to talk about your current investments and strategy, we are here for you.

ECONOMIC CALENDAR

Tuesday: Consumer Confidence, FHFA House Price Index

Wednesday: GDP, New Home Sales

Thursday: Pending Home Sales Index, Jobless Claims

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DATA AS OF 11/23/2018	1 WEEK	SINCE 1/1/18	1 YEAR	5 YEARS	10 YEARS
STANDARD & POOR'S 500	-3.79%	-1.54%	1.37%	7.84%	12.65%
DOW	-4.44%	-1.75%	3.23%	8.62%	11.68%
NASDAQ	-4.26%	0.52%	1.04%	11.69%	17.49%
INTERNATIONAL	-1.12%	-12.59%	-11.00%	-0.88%	5.55%

DATA AS OF 11/23/2018	1 MONTH	6 MONTHS	1 YEAR	5 YEARS	10 YEARS
TREASURY YIELDS (CMT)	2.25%	2.52%	2.67%	2.88%	3.05%

Notes: All index returns (except S&P 500) exclude reinvested dividends, and the 5-year and 10-year returns are annualized. The total returns for the S&P 500 assume reinvestment of dividends on the last day of the month. This may account for differences between the index returns published on Morningstar.com and the index returns published elsewhere. International performance is represented by the MSCI EAFE Index. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

QUOTE OF THE WEEK



"Believe you can, and you're halfway there."

- Theodore Roosevelt

RECIPE OF THE WEEK



Five-Spice Beef Stew



Serves 6

Ingredients:

- 2 pounds boneless beef bottom round, trimmed and cut into 2-inch chunks
- Kosher salt
- Pepper
- 2 tablespoons canola or vegetable oil

- 4 cups low-sodium beef broth
- 4 medium shallots, quartered
- 3 cloves garlic, finely chopped
- 1 2-inch piece ginger, finely chopped
- 1 teaspoon Chinese five-spice powder
- 3 star anise pods
- 1 small cinnamon stick
- 2 tablespoons tomato paste
- 12 ounces medium carrots (about 3), peeled and cut into 1-inch pieces
- 12 ounces medium parsnips (about 3), peeled and cut into 1-inch pieces
- 2 small purple-topped turnips, cut into 1-inch pieces
- 1 (15-ounce) can crushed tomatoes
- 1 large bunch spinach, thick stems discarded
- 2 tablespoons fish sauce
- 1 tablespoon lime juice
- Cilantro and thinly sliced red chile, for topping

Directions:

1. Preheat the oven to 325°F.
2. Season the beef with a ½ teaspoon each of salt and pepper.
3. In a large, thick-walled cooking pot (Dutch oven), heat 1 tablespoon oil on medium heat.
4. Cook the beef in batches, 6-8 minutes, until browned. Then put in a bowl.
5. Mix ½ cup broth into the pot, scraping out browned bits, 1 minute. Pour juices into the bowl with the beef.
6. Turn down the heat to medium. Add 1 tablespoon oil to the pot with the shallots. Cook while occasionally stirring, until it is golden brown, 3-4 minutes.
7. Stir in garlic, ginger, five-spice powder, star anise, and cinnamon. Cook, 2 minutes.
8. Stir in tomato paste. Cook, 1 minute.
9. Put the beef and the juices in the pot with carrots, parsnips, turnips, tomatoes, and the rest of the broth (3½ cups). Boil then cover; bake until the beef is tender, 1½-2 hours.
10. Take out of the oven. Throw away the star anise and cinnamon. Mix in spinach, fish sauce, and lime juice.
11. Top with cilantro and chile. Serve.

Recipe adapted from Good Housekeeping^[16]

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TAX TIPS

Department of
U.S. Individual



How Does Depreciation Deductions Impact Farmers?*

The Tax Cuts and Jobs Act changed how farmers and ranchers can deduct farming equipment for depreciation.

Depreciation deductions allow taxpaying farmers to recoup some of the costs for the use of their property and equipment.

Here are some of the changes to the tax code:

- New farming equipment and machinery is considered five-year property. If you put equipment or machines in service after December 31, 2017, the period of recovery is five years (from seven years).
- Grain bins, cotton-ginning equipment, fences, and other land-improvement equipment are exempt from the shorter recovery periods.
- Used equipment falls under the seven-year rule.
- Farming equipment put in service after December 31, 2017, does not have to adhere to the 150% declining balance method.
- New and certain types of used equipment obtained and put in service after September 27, 2017, may qualify for the 100% first-year bonus depreciation but only for the tax years it was first used.
- You may expense section 179 property. Section 179 property is tangible, purchased (not leased), used more than 50% in your business, put in service in the current tax year, and acquired from someone to whom the farmer is not related. The new tax code increased the maximum deduction to \$1 million (from \$500,000).

Other provisions are available, and you can find more information on the IRS website.

* This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Tip adapted from the IRS.gov^[17]



Looking for Smooth Fairway Woods?

Your ball just doesn't get the height you want, rarely rising above the tree lines. You're struggling with the 3-wood off the deck.

As an amateur, your struggle is not unique; it is common. However, most of your problem may lie in your head. You're thinking about it incorrectly.

So, what's the problem, and how can you fix it?

First, you just don't practice the fairway shot. You may practice tee shots or putts. But the fairway shot is so unpredictable.

That lack of experience and relative unfamiliarity can put you in an unstable and stressful position, which leads to overthinking the shot or trying too hard.

Landing your ball on the green requires making solid, center-face contact. Swinging full and hard to produce loft doesn't accomplish your objective.

Relax. Swing your club easy while maintaining a smooth pace. Don't make adjustments during the swing hoping to get ball lift. Deliberate moves in your swing usually lead to the opposite effect, which sends your ball rolling or bouncing rather

than flying home.

In a nutshell, the secret to successful fairway shots is to maintain a smooth swing and a steady posture. Mentally, imagine the ball merely getting in the way of a beautiful, graceful swing. You're swinging through the ball; you're not trying to hit it.

Tip adapted from GolfDigest^[18]



No Time for Working Out? Here's How to Make Time

Busy. Busy. Busy. And no time to work out.

You know exercise is good for you, but your schedule is packed. You simply can't find the time to do it.

There's hope. Fitting exercise into your busy schedule is a little easier than you might think.

First up, exercise's little secret: A short burst of exercise can deliver big dividends. (A warning: If you're a man over 45, a woman over 55, or have health problems, consult a doctor first before proceeding on an exercise program.)

Here are some easy exercises to get you started:

- The exercise ball is great - and easy - for building strong thighs. Put the ball between your lower back and a wall with your feet in front of you and shoulder-length apart. While keeping your body straight, lower your body as if you were sitting down, then raise yourself back up. Do 10 repetitions.
- You can do squats without a ball. Bend your legs and lower yourself as if you were sitting down. Keep your knees over your ankles, but don't allow your knees to go too far forward. Do 10.
- The lunge involves you taking a long step forward with one leg, then lowering your body toward the floor. Keep your front knee aligned with your ankle. Step back and then do the other leg. Do 10 repetitions with each leg.
- The deadlift with a barbell or free weights is as easy as bowing. Stand straight while holding the bar at your waist. Bend over with your legs straight but without locking your knees. Do 10.
- The pushup is fantastic for your upper body. Make sure you have the correct form with your toes on the floor and both hands about shoulder width apart. Do 10.
- The bent-over row builds strong upper back muscles and your biceps. Do the exercise in a bent-over position with your back flat. Place your knee and your hand on a bench for support while the other lifts a dumbbell or free weight. Do 10 times.

You can do other simple exercises to get in shape. Make sure you maintain proper form and fluid motion.

Tips adapted from WebMD^[19]



Stop Your Cat from Killing Birds

It may seem like a throwback to ancient days in the wild, but domestic cats killing birds is a bigger problem than most of us may realize.

According to National Wildlife surveys, free-ranging household cats are killing nearly 4 billion birds and up to 22 billion mammals per year in the United States.

While the habit may seem to fit naturally into the ecological cycle, domestic cats acting on their instincts are having a negative impact on the environment. In fact, "killer" cats are leading to the potential extinction of several bird species and small mammals.

Keeping cats indoors may help resolve the problem on several fronts: It helps protect wildlife and is better for the cats. Outdoor cats are subject to predators and disease as well.

Here are some tips for a happy and healthy cat:

- Buy cat toys to keep your cat active indoors.
- Make a bird-viewing station for your cat.
- You can hide treats or purchase a cat puzzle to make it more challenging for your cats to get them.
- Get your cat a buddy. Two cats can keep each other busy or active.
- Catnip may help keep your cat happy and active.
- Indoor cat trees enable your cats to climb.
- Spaying and neutering your cats can calm their wanderlust.

Tip adapted from EarthShare^[20]

Share the Wealth of Knowledge!

Please share this market update with family, friends, or colleagues. If you would like us to add them to our list, simply click on the "Forward email" link below. We love being introduced!



Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market

and is considered a broad indicator of the performance of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia, and Southeast Asia.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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