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Turbulence Continues

WEEKLY UPDATE - DECEMBER 24, 2018

In This Issue

Quote Of The Week
Recipe Of The Week
Tax Tips
Golf Tip
Healthy Lifestyle
Green Living

Last week, domestic markets had some of their worst performance in 10 years.^[1] The S&P 500 lost 7.05%, the Dow declined 6.87%, and the NASDAQ dropped 8.36%. All three indexes have now lost at least 8% in 2018.^[2] On Friday, December 21, the NASDAQ entered a bear market, which means it's at least 20% below its last record high. Meanwhile, the S&P 500 and Dow both finished the week close to bear markets, too.^[3] Internationally, stocks in the MSCI EAFE also struggled, posting a 2.67% weekly loss.^[4]

What happened to the markets?

Last week brought a number of economic updates, which gave mixed signals on the economy:

- Consumer spending increased in November.
- Business spending slowed down.
- Economic growth in the 3rd quarter slightly missed projections.^[5]

However, markets hardly focused on the data.^[6] Instead, two key headlines drove the week's performance: 1) results from the Fed's latest meeting and 2) the risk of a government shutdown.^[7]

Let's look a bit more into what happened - and how the markets reacted.

1. The Federal Reserve increased rates and shared its economic projections.

Markets expected the Fed's 4th interest rate increase for the year.^[8] In many ways, traders were trying to read between the lines of every Fed announcement last week to see how sensitive the agency would be to the markets. As a result, investors became concerned about the Fed's statements that increases could

continue in 2019, despite seeing a slowdown in economic growth. This reaction caused some of the sell-offs.[9]

2. A government shutdown loomed - and then happened.

A disagreement between Congress and President Trump about government funding for a border wall continued throughout last week. While a deal had seemed imminent, by Friday afternoon, the political divide continued and a shutdown loomed. Stocks dropped significantly as a result. By Saturday morning, 9 of the 15 federal departments had closed due to the shutdown.[10]

What should you do?

These challenging moments are when keeping perspective is most important. Sell-offs and uncertainty can feel worrisome - and we cannot say for sure how long this market turbulence will continue.

In the weeks ahead, the government shutdown may continue, and we may not experience the strong "Santa rally" that investors hoped for.[11] However, it's important to remember that, historically, shutdowns are short and don't typically create negative long-term effects on the economy.[12]

However, when thinking about the current environment, we want to encourage you to consider airline turbulence: During a flight, turbulence can feel unsettling and downright scary. But, you don't jump out of the plane just because it's shaking. While you may worry about a crash, the pilots are using every available data point, measurement, and expert to find the safest path to your destination. The unpleasantness almost always calms - and you arrive where you intended to go.

In this same manner, we're tracking this current turbulence and how it relates to you. No matter what lies ahead, we're here to pilot you through. If you want to discuss specifics about our economy, your goals, and current momentum, please contact us. We're always ready to help you understand your financial life.

ECONOMIC CALENDAR

Monday: NYSE Early Close

Tuesday: Markets Closed for Christmas Day

Thursday: New Home Sales, Consumer Confidence, Jobless Claims

Friday: Pending Home Sales Index

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DATA AS OF 12/21/2018	1 WEEK	SINCE 1/1/18	1 YEAR	5 YEAR	10 YEAR
STANDARD & POOR'S 500	-7.05%	-9.61%	-9.98%	5.85%	10.53%
DOW	-6.87%	-9.20%	-9.43%	6.71%	10.10%
NASDAQ	-8.36%	-8.26%	-9.08%	9.06%	15.01%
INTERNATIONAL	-2.67%	-16.81%	-16.11%	-1.77%	3.37%

DATA AS OF 12/21/2018	1 MONTH	6 MONTHS	1 YEAR	5 YEAR	10 YEAR
TREASURY YIELDS (CMT)	2.41%	2.54%	2.62%	2.64%	2.79%

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



"Money grows on the tree of persistence."

- Japanese Proverb

RECIPE OF THE WEEK



Jam Sandwich Cookies



Serves 48

Ingredients:

- 2¾ cups all-purpose flour
- 1 teaspoon ground cinnamon

- ½ teaspoon ground nutmeg
- ½ teaspoon baking powder
- ¼ teaspoon ground cloves
- ¼ teaspoon Kosher salt
- 1 cup unsalted butter, at room temperature (2 sticks)
- ¾ cup granulated sugar
- 1 large egg
- 1 egg yolk
- 2 teaspoons finely grated orange zest
- Confectioners' sugar, for dusting
- 1½ cups apricot or raspberry jam

Directions:

1. Whisk flour, cinnamon, nutmeg, baking powder, cloves, and salt together in a large bowl.
2. In another bowl, beat butter and sugar with an electric mixer on medium speed until the mix is light and fluffy, 3 minutes. Add in egg, yolk, vanilla, and zest, and continue to mix.
3. After putting the mixer speed on low, slowly add the flour mix from the large bowl.
4. Shape the dough into four disks. Roll each disk between two sheets of parchment paper until the disks are ⅛" thick.
5. Put the disks in the refrigerator for 30 minutes or in the freezer for 15 minutes.
6. Preheat oven to 350°F.
7. Lay parchment on baking sheets.
8. Cut out the cookies with floured 2"- to 3"-round fluted cutters and put on the prepared baking sheets.
9. Reroll, refrigerate, and cut the scraps.
10. Cut out the centers from half the cookies with a smaller cutter.
11. Bake, 10-12 minutes. Rotate the sheets halfway through. Remove the cookies when they are golden brown around the edges.
12. Allow the cookies to cool for 5 minutes before placing them on wire racks to cool more fully.
13. Sprinkle confectioners' sugar on the cutout cookies.
14. Make the whole cookies and the cutouts into sandwiches with jam (1½ teaspoon per sandwich).

Recipe adapted from Good Housekeeping^[13]

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TAX TIPS

Department of
U.S. Individual



Planning to Pay Your Taxes*

You can avoid surprises in filing your 2018 taxes by planning early. The IRS provides tips to help taxpayers prepare - especially with significant changes to the tax law.

The agency provides information with helpful steps for smoother tax filing. For information, go to <https://www.irs.gov/individuals/steps-to-take-now-to-get-a-jump->

Here are the documents you should collect before preparing to file your return:

- Your 2017 tax return.
- Year-end Forms W-2 from employers.
- Forms 1099 from banks and other payers.
- Forms 1095-A from the Marketplace if you're claiming the premium tax credit.

You should check with your employer, bank, and other institutions to ensure they have current mailing and email addresses. You typically receive those forms in January. They may be available online.

Examine the documents you are sent to ensure their accuracy. If you discover mistakes or errors, you should promptly contact whoever sent the documents to get immediate corrections.

You should retain tax returns and related documents for at least three years.

The best way to send your return is by e-file. E-file enables you to send your return faster and get refunds more quickly. For information, go to <https://www.irs.gov/individuals/electronic-filing-pin-request>.

Tax preparation software also makes filing easier, more efficient, and more accurate. The software steers you through the filing process and makes the proper mathematical calculations for you.

Using direct deposit ensures your refund goes directly into your bank account with little worries about lost, stolen, or misdirected checks.

* 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 IRS.gov^[14]



Use Your Hips to Stop Popping Up Tee Shots

Your tee shots are popping up, or your ball just dribbles once it lands on the fairway.

What's the problem?

You're hitting down too much on the ball.

That's not a problem if you're using an iron off the turf. But not for the other shots.

How do you know if you're hitting the ball down too much? You're breaking too many tees.

How do you increase your distance with your driver? You must hit up on the ball.

How do you do that? How about standing up higher during the downswing?

Here's how you do that. As you start swinging the club down, push your hips forward. Practice this first without a ball to get a better feel for the movement.

Once you're comfortable with the move, you can try doing it with tee shots.

Tip adapted from GolfDigest^[15]



Should You Get a Flu Vaccine?

The peak of flu season is expected to arrive in a few weeks.

Should you get a flu vaccine?

Health experts say it shouldn't be a matter of if you get the flu vaccine, but how you should get the flu vaccine.

You can get the vaccine in one of two ways: the shot and the nasal spray, FluMist.

Both types offer about the same level of protection. However, some people do better with one over the other.

Consult with your doctor over the best type for you.

The flu shot

A vaccine is created from dead influenza virus and is injected in your upper arm. It cannot give you the flu. Side effects are minor and usually last a day or two. Children under the age of 6 months shouldn't get the flu shot.

The nasal spray

You get this sprayed into your nose. FluMist is made from the live flu virus that's too weak to cause the flu, although you may still get flu symptoms. The nasal spray isn't always recommended as an alternative to the flu shot. Ask your doctor if it's right for you.

The spray isn't recommended for children under the age of 2, people over the age of 50, and for people taking aspirin.

Who should get the vaccines?

The Centers for Disease Control and Prevention recommends everyone over the age of 6 months get flu vaccinations.

Tips adapted from WebMD^[16]



The Facts about Flooding

Flooding may not be a common seasonal occurrence in your community. But it is the most common natural disaster in America, killing the most people and damaging the most property by comparison.

Here are the facts about flooding:

- Floods are the United States' most common natural hazard.
- Floodplains provide nearly a quarter of the land-based ecosystem service benefits but cover 2% of the planet's land surface.
- U.S. wetlands produce more than \$30 billion in annual flood damage repair costs.
- In the last 50 years, the U.S. has experienced a 20% increase in extreme downpours. Experts say American floodplains will expand by more than 40% in the next 90 years.
- The federal government declared 58 areas flood disasters in 2011 alone. Those areas covered 33 states and cost more than \$8 billion in damages.
- The National Flood Insurance Program provides flood insurance to Americans. The program is \$25 billion in debt.
- Owners of homes in 100-year floodplain areas, which are considered high risk for flooding, have about a 25% chance that their homes will be flooded in the next 30 years.
- About 17% of land in urban areas are in 100-year floodplains.

Tip adapted from EarthShare^[17]

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!

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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 stocks 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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