KEEN ON
RETIREMENT

Q3 Market Recap and Outlook for the Remainder of 2019 and into 2020

Welcome to Keen on Retirement
With Bill Keen and Steve Sanduski

Bill Keen: Hello everyone. Bill here. I wanted to take a moment to introduce our podcast today. We have a special treat, in that we are releasing the audio portion of a recent market update webinar, conducted by the chief investment officer of Keen Wealth Advisors, Matt Wilson. Now, Matt takes a look back at what happened in the third quarter of 2019, in the markets and the economy, and even more importantly, he takes a look ahead at what might be in store for the remainder of the year and out into 2020.

We talk a lot in our episodes about understanding how to separate the news from the noise, and Matt does a wonderful job in providing you the information that we think you should be looking at if indeed you have an interest to try and stay up with what's happening in the markets and the economy on your own. Now this information is on the keenonretirement.com website in webinar form, meaning that if you go there, you can watch this presentation and see all of the slides that Matt so deliberately puts together and walks through.

While I believe that's the better way to consume this information, if you choose to just listen to this podcast, I think you will garner some wonderful bits of information, as well, to help you consider what may be coming down the road. Remember, we always say that the investments are just the engine to someone's total plan. The financial planning, having a plan, being thoughtful, being intentional, making sure that the investment portfolio is structured in a way to support that financial plan, is always what's most important. It's always the why behind what we're doing when we're helping people manage their investments. With that in mind, I hope you enjoy this episode.

Welcome to our Market Update Webinar. We are honored that you would take time out of your day to spend with us today, and to learn a little bit about what we're seeing in the markets and the economy. As I said, I'm Bill Keen, and I'm the founder and CEO of Keen Wealth Advisors. We're a retirement planning fiduciary firm, headquartered here in Overland Park, Kansas. We've made it our focus to help folks really get their ducks in a row and plan for and move over into a fulfilling retirement. That includes a lot of financial planning, a lot of discussion, a lot of thinking, and it also includes working with the engine to the plan. That engine to the plan is the investments.

We know we have to have a plan in place. Without that, we don't know how to invest resources, but if we have a wonderful plan in place, and we invest our resources wrong, that can be a problem, as well, so it's the very myopic focus of our firm to make sure both of those things are working in tandem. It's been very nice over the last years. I would like to thank all of our clients that are on this particular webinar with us today. It's an honor and a privilege to be on the journey with you. We understand that your life savings is a very, very serious endeavor, and again, it's an honor for us to be a part of that journey with you and your families. We also welcome those on the webinar today that are friends of the firm, and that are wanting to understand more about what we're talking about today. Welcome, as well.

Before I turn it over to Matt Wilson here, I did want to mention, many of you are already on the Keen on Retirement podcast, but this broadcast will be repurposed and put out as a podcast on that Keen on Retirement website. We have many other podcasts out and available, almost 100 now, for folks to go back and look through certain topics that might be of interest to them. Then we also do other webinars. Other webinars are featured on that website, keenonretirement.com, as well.

Another thing that we've brought out, and it's... If you know me, you know that I'm big on financial education and literacy. I have the spirit and heart of a teacher, from the way I was brought up in my childhood experience of having parents that were not educated on these things. It caused a lot of financial stress and turmoil in my life, as a young guy.

Many of you have requested the book. Some of you were at the book signing that we had here at the office. As some of you, and maybe all of you, may know the Keen on Retirement: Engineering the Second Half of Your Life came out September 3rd. It was really, really neat. I wrote it as a manuscript, just to help folks refer to, in addition to our live classes, and this very webinar that you're on today, and the podcast, another resource to look at, and to be able to reference, to help you think through the things that are important about truly engineering the second half of your life. I had no idea that it would hit bestseller on Amazon in the first week, and featured on the jumbotron in Times Square. We've really had a lot of fun with it, but I wanted to point this out to you.

If you haven't received a copy of this... Many of you have personalized copies that I've gifted to you. For anyone who's taking the time to be on this call today, or this webinar, it's important enough to me to provide you with the resources, so if you'd like a personalized, hard-back copy of this, send me or Matt an email sometime, when you're able, and I will get a personalized copy of this out to you, hard-back, as my gift to you, because I honor you for taking the time to be responsible for your affairs, and to be a part of it, and to want to understand.

If you read my book, you'll see that that's a theme that permeates, taking personal responsibility for your future. No, we don't want to make you CFPs or tax professionals, or we don't have to have the information at top of mind that Matt's getting ready to present to you today. We know he's a very smart, smart guy, and we rely on him to provide us with this information, but it is important that you take some personal responsibility in this. To me, just the fact that you're on this today, taking time out of your busy day, tells me that you're one of those people that do, and again, it's an honor to be on that journey with you.

With that in mind, Matt Wilson, as many of you know, he's a CFP, a certified financial planner, but he's also the chief investment officer of Keen Wealth Advisors, and a managing director of the firm. I've had the privilege of working with him for 17 years. Now that's a long time, this day and age, to work with someone, but I certainly hope to be working with Matt another 17 years, and maybe even beyond. I think he might hope I retire sooner than that, but we'll see how that goes. With that in mind, Matt, I want to turn it over to you. Your quarterly updates are so well received. You do these once a quarter for us, but then you also do your presentation at our annual holiday gathering, which is coming up here in December yet again, our 22nd annual.

Today, I think, is going to be a wonderful look. I've had the pleasure of seeing it already. Matt's presented it to me already, and I can assure you all that I think you'll be pleased with what he presents. Now, he presents the good, the bad. He presents it the way it is. He doesn't sugar-coat things. That's one of the many things I love about your talks, Matt, so I'll let you go ahead and take it, please.

Matt Wilson: Okay, great, yeah, hard to follow that introduction, but happy to be here and discuss all of this with you all. This is a topic in an industry... People ask me all the time why I enjoy what I do. It's partly because of the ever-changing market environment. That is something that just every single day there's something new, and something that gets our attention, and a lot of talk. Maybe it's not necessary, but definitely a lot of talk. My goal with all of these webinars and these presentations is to separate the news from the noise, and let's really focus on the things that will impact the investments over longer periods of time, even on the short term, but as we say, when you have to put things into perspective when it comes to different market environments, different timeframes, and different time lengths, as well.

Today, we're going to talk about the stock market. We're going to cover where we are in the recession cycle, and how close are we to a recession? Been a lot of talk about that lately. How healthy is the consumer? Also, what to do with your investments, and then where are we going from here? A lot of different things that we'll cover today, so let's start with the stock market first.

Just take a snapshot from where we're at with the overall stock market this year, at least going back over the last 12 months. This is a graph of the market. This is Vanguard fund that just covers the total stock market. You can see it. This goes back 12 months, hasn't been a lot of upside movement, definitely some volatility, which it does happen. I say that a lot. Volatility is to be expected. It's actually a feature, not a bug, but we can see where the markets have been over the last year.

Definitely, though, considering the headlines and the noise that's coming from the media, we're sitting right near all-time highs. In many of the meetings with clients that I've been sitting down with, they're surprised. They don't necessarily track this stuff as closely as I do, but surprised to hear that we are just darn near at all-time highs, considering the headlines and how negative things are.

As I mentioned earlier, let's take a step back, and put this in perspective. This is going back to 1957, and this is a graph of the S&P 500, which is the... a nice proxy for the U.S. market, but you can see all these different headlines that I've stuck on there. Why I do that is because I want to show that people... I think it's easy to get caught up in the day-to-day news, and not realize where have we been over time? Look at all of these headlines. I mean, these were major headlines, and it can feel like these are the headlines that are driving the market. This is why the market is volatile. It's because of these headlines.

I will say this. Yes, maybe on a very short-term basis, like over the next couple of days, these headlines might have an impact, but the reality is the stock market is driven by earnings. Values of stocks are just based on the function of how much they make. Those earnings expectations will change with headlines, but most of those headlines don't matter. This is it, going back to 1988. This is the earnings of the S&P 500. Every single year, just plotting them out. I've stuck on here the expectations for 2019, and there's a deceleration in earnings this year. They're not negative. I mean, this is trending down, but by the end of the year, I think we'll see a positive number.

By the way, Q3 earnings that have just been started to trickle out here in October have been very good, so earnings have been good so far this year. Now we have 2020 plotted on here, as well. That's an estimate, so we don't know where that'll be, but that's where the estimates are going into 2020, so a pickup. Now, this is on the heels of 2018, which earnings grew almost 23% in 2018, so we had a very large bump in earnings in 2018, so it wasn't a surprise that 2019 was going to be around 3% to 4% in earnings growth.

This is the earnings graph, going back to 1988. Now I've plotted on here the price of the S&P 500, the value of it. You can see a very high correlation between earnings and stock prices. That is what drives the market, corporate earnings do, and so the next... Then what drives earnings? I've shared this in a previous webinar. Earnings are driven by GDP. That is the value of all the goods and services that we produce here in the United States. What drives GDP? Well, GDP is driven by consumption, by the consumer, and so let's talk about, well, how healthy is the economy? How healthy is the consumer? What's the outlook for the consumer? Because that's what's going to help us determine are earnings going to rise or fall in the short-term? Because if earnings start to fall, then yes, we might be headed for a recession, and we might start to see a decline in the value of the stock market that is more drawn out.

Let's talk about a recession. Recession gets thrown around a lot. Everybody on TV talks about a recession. This is a gentleman, who's on CNBC a lot, who has been calling for a recession for the entire year. A lot of people are doing that, so not to pick this person specifically, but CNBC will always trot out the person that is just pounding the table the hardest, that the end is near, and then gets maybe someone else from the other side to argue it out, because they like that. It's good for ratings, but the reality is we are not close to recession right now. We're at least 12 months out, if not farther, but all the data tells us that it is very highly unlikely that we will see a recession begin in the next 12 months. As the data continues to come out positively, over the next several months, that just keeps being pushed out further.

You'll notice, when I talk about this stuff, it's all very data dependent. We don't want to try and predict what's going to happen, based on our feelings, on the headlines, on our emotions. We want to use the data to confirm what is happening, so let's go over the data.

The economy... The United States, largest economy in the world, and hasn't had robust growth in over a decade. We may never have that again, but if we have low, single-digit growth, positive on a year-over-year basis, for a nearly $20 trillion economy, that's pretty good, and that's where we're at. We've had, in second quarter, 2.3% year-over-year GDP growth, which is right in line with what's been the post-recession trend, so post the 2009 great financial crisis, we've been in that low single digits.

This recovery, by the way, is one of the shallowest recoveries that we've had ever. It is realistic to see this recovery continuing to expand over the next several years, much longer than people expect, and much longer than previous recoveries have lasted, because it has been so shallow, but just because it's been shallow doesn't mean it's not been good, and things aren't still improving.

As I mentioned, consumers, record strong shape. I mean, we have phenomenal job growth. Wages are rising, and that has been one of the hurdles, or one of the negatives, about the shallow recovery is that wages haven't been very strong. Also, balance sheets very good shape, financial obligations ratio, so that is what we call the debt service ratio, so how much fixed cost do people have, and we're at extremely low levels. I mean, it's some of the lowest levels we've had in over 30 years, which is great, because that means there's more discretionary funds to go other places, which we're seeing in retail sales. Retail sales numbers have been very good.

Small businesses, very optimistic... consumer sentiment good. The uptick in the LEI, that stands for the leading economic index, very... Still pointing to a recovery here in the United States, so if things go well, and actually we'll go over this leading economic index here in a moment, because it is a very good insight into the direction of the economy, and inflation has been tame.

You know, one of the things I've been asking folks lately is it wasn't that long ago that we complained about gas prices. Every single time we went to the pump, it was always higher, it felt like. There's been very little commentary on gas prices, and yeah, I know that's anecdotal, but that's one of the true signs that people see, when it comes to inflation, right there, right in front of you, every single week, when you fill up your gas tank. When you go to the grocery store, food prices, those ebb and flow, and there's even maybe some shadow inflation, when it comes to that, where they reduce the size of the box, but still charge you the same amount. When it comes to overall inflation, still very tame, and nothing signaling an issue when it comes to consumers.

Now, let's talk about a recession. What I've got on here, this is going back to the Great Depression, I've got on here 12 market pullbacks or corrections of 20% or more. These are the different headlines that we've had. Of course, we had the Great Depression starting us off; financial crisis in the '60s; stagflation in the '70s; then Paul Volcker, which was the chairman of the Federal Reserve, raising rates significantly, very high, very fast. That caused a recession here in the United States. Then we most recently had the tech bubble in the late '90s, and then the great financial crisis in '08 and '09.

Well, this is how the market performed during those periods. We have big drops. You can see 86%, 60%. Those are the very first few there in the Great Depression. Then, most recently, we've got the pullback in the tech bubble bursting, and then also the great financial crisis. How long did these pullbacks last? What this means, from when the market peaked to where it finally hit a bottom, back to where it got to the previous high, so you can see how long those pullbacks lasted, and then, on average, what that was for each of these, so -42% was what the bear markets average. They last for about 22 months, before they start going back up again.

Now, I've got the macro environment over here to the right side, which is just displaying some of the different causes. Now, you'll see a couple of common things here is recession was around most of them, and extreme valuation, as well. Well, 9 of the 12, we had a recession. One thing you'll notice, the ones that didn't have a recession, the pullbacks weren't as deep as some of the others, still deep, but not as deep, and the duration of the pullback was not nearly as long as the other ones, very quick pullbacks, and then very quick recoveries when we don't have a recession.

This is very similar to what happened in Q4 of 2018. In Q4 of 2018, market pulled back, started in October. It started to get deep in December of 2018, and it finally stopped towards Christmas Eve, nice Christmas Day present for everybody. Then in January, the recovery started back again, and that's been the theme for 2019 is getting back to the previous highs.

I mean, the Dow Jones hit 27,000 in January of 2018, and we're just right at 27,000 again, so we've been in this window, this trading range, for almost two years now, go up to 27,000, come back down, go up to 27,000, come back down. That's not uncommon. That happens all the time. Most recently was in 2015 and 2016, and it was market would go up... The Dow would go up to 18,000, come back down, go up to 18,000, come back down. Right after the election, it blew through the 18,000 mark in 2016, and it's been now at 27,000.

Where do we think it's going to happen? Is this 27,000... Is this a barrier, we're not going to get through it, and it's because things are weak and we're headed for a recession, or are signs pointing to breaking through that, and things looking well? Again, the recession is why I talk about that so much, because this is what we're afraid of. We're afraid of these long, sustained pullbacks. Again, it's not permanent loss of capital. I mean, it is if you do make an emotional decision, but if you're diversified right, these pullbacks, anyone can get through them. Yes, they're no fun, but it doesn't take the market to zero, and then it never recovers, but if you do need your funds back, or if you're at risk of making an emotional decision, you definitely want to pay very close attention to these bear markets and how long they last.

Here's the LEI. I mentioned that has been in an uptick. This is what is... That stands for the Leading Economic Index. These are 10 economic indicators that lead the economy. What I've got here, going back to 1965, is the graph of the index, and then the peaks before the recession, and the recession is gray bars on here. Then the number that's right above that peak is how long it took from when the LEI peaked before the recession started. On average, it has peaked 13 months before the start of a recession, some of them shorter, you can see, as low as eight months, and then some of them longer, 21 months.

There was a thought that we might have hit a peak here in September of 2018, because some of the data then started to come in weaker, but since then, data has come in stronger, and we've had an uptick, so LEI has not peaked yet, and that is a very good sign. Again, that's why I think we are at least 12 months out from the recession, if not a lot longer, most likely a lot longer from the next recession, but at least 12 months out, looking at this data. It would have to come in very weak, and very quickly, very weak, to really start to force us into recession in a very quick manner, which not to say that it couldn't. That's why we keep a close eye on it, but again, the data not pointing to that right now.

Why does the consumer matter so much? This is GDP here in the U.S. Again, it's nearly $20 trillion, and this is the breakdown. We have an equation that we use, as economists, to calculate what the GDP is. What it stands for is we have C. We have consumption. That's the big line here. We add into that private investments, so that's business spending. Then we add in government spending. Then we take the net impact of trade, so X is exports minus imports. Right now, we import more than we export, so that takes away from GDP. That's why it's a negative five percent, but this is the GDP equation.

The big driver of GDP is consumption. It's the consumer. GDP is what drives earnings, so let's look at, and see, okay, what is the consumer? How are they looking? What's the outlook for the consumer? Because if the consumer doesn't look good, then the economy's probably going to head into a recession.

Where is the consumer at right now? Well, a very great place to start looking at the consumer is when it comes to the jobs market, because if consumers have jobs, they then have money to spend. If they have money to spend, that goes into corporations as revenue, comes out the bottom as earnings. Right now, we've got full employment here in the U.S., continued new jobs growth, record jobs opening. Participation rate is, hasn't... That's probably been something that's been pointed out as an issue. Part of it is our population. A lot of the baby boomers are retiring, but there's a lot of the millennials coming into the workforce, too, making up for it, but there's still some slack there, too, because there are folks not in the high level jobs data, that are coming back into the market and the economy, as well.

The forecast is very good, still, and we're seeing wages go up. That's good. We want to see wages go up, because if we have job growth happening, but wages are stagnant, then yeah, that's not as impactful for the economy, as if we're seeing wages go up. This is just new job formation. This red line, this is all of the jobs that we've added in the U.S. Anything that is above this middle of this graph is a positive number; anything below it is when we're losing jobs. On a month-to-month basis, we're taking jobs away. People are being laid off. You can see, new job formation is a nice indicator, in an expanding economy, and then it starts to weaken and roll over before the recession starts, and then gets very deep during the recession, and then doesn't recover until really the recession ends. That is what we call a lagging indicator.

The jobs market is a lagging indicator. It'll be worse when we're headed out of a recession, and then it'll get better after the recession's over. Then you can see the unemployment rate here in black, then I added on top of that, so we're at three and a half percent, as the unemployment rate, but yeah, 136,000 new jobs added in September. You have to go back to December of 1969 to have a lower unemployment rate here in the United States, so things are continuing to improve. We're still seeing new formation in the job market.

Now, this is actually one of the leading indicators that is part of the LEI index, and I think this is an extremely important indicator. I talk about this every single year. I pretty much talk about it every single webinar is the initial jobless claims. This is our metric to determine, are people being laid off or not? This will be the very first sign of weakness in the jobs market. It's because every single week, this comes out. It's updated every single Thursday. We get data from the government on filings for initial jobless claims, so when people first get laid off, don't have another job to fall right back into, so now they file for unemployment.

When people start to get laid off, while they file for unemployment, what's the first thing they're going to do? They're not going to spend as much. They don't spend as much. What does that do? That reduces GDP, which in turn also reduces corporate earnings, which starts the pullback, and the business cycle leads us into a recession. That is basically the beginning of the business cycle, of the peak going into the contraction, down into the trough, so I pay very close attention to this.

What I've highlighted was all the periods before the recessions, again going back to the 1960s, where the data bottomed, and then started to get worse. Every single recession, it always gets worse before the recession starts. That's why, again, it's a leading indicator, helps us identify what direction the economy is going. In some periods, it's quick before the recession starts, may only give us a window of six to eight months. Other periods, it bottoms and starts to get weak, maybe a few years ahead of time, because there's other things that are still performing well, still allowing the economy to expand, but the data is definitely trending negative before those recessions start.

You can see where we're at right now. It looks like maybe it has started to bottom, but again, we're not seeing a spike in the other direction, and it doesn't mean this thing can't just go sideways for quite a while either. That's another possibility, that yeah, maybe we don't see lower numbers, but we aren't seeing higher numbers either. Again, we pay very close attention to this data.

You have to go back to September of 1969 to see a number as low as what we've had right now. Actually, I had someone... Research I was reading pointed out that was when Abbey Road was released by the Beatles. That's the last time you have to go back to, to see a number as low as we've had, so again, this is not signaling that a recession's on the horizon.

I've got the jobs number here in black. This is the unemployment rate. Go to different periods, you can see where it peaked. The dotted line here is the long-term average, about 6.2%, when it comes to the unemployment rate, so we're at 3.5. Then in blue is the wage number. By looking at this graph, you can see the correlation, the inverse correlation. As jobs improve, as the unemployment rate goes down, we start to see wages go up. I mean, it is very, very highly connected, these two items. We're seeing the exact same thing. Since October of '09, as we've added more jobs, unemployment rate's gone down. We're seeing wages go up. Yeah, we're stagnant, struggled there for quite some time, but now we're really seeing some wage growth; 3.5% is where the most recent data is.

Long-term average is 4%. We're getting close to that long-term average, but look back at some of these previous recessions, and these recoveries. It did get well below these long-term averages, and then it took some time before it got back, and so we're following the same pattern as we have before.

What does all this mean for your investments, and what do we do with this information? I love this quote from Peter Lynch. What he says here is, "Far more money has been lost by investors preparing for corrections or trying to anticipate corrections, than has been lost in the corrections themselves," meaning so many people want to get ahead of the next pullback, or the next recession, or what have you, the next correction, as he points out here, and they end up costing themselves so much more money, because they don't have a strategy, and when they're doing it, it's emotionally based. I mean, there is very little data involved, in most cases, when folks do this.

I don't blame them. I mean, this is not easy to do. There is a lot of emotions involved, and especially when you're retired. You don't have that paycheck coming back. You've got your nest egg, and you see it go down, and you want to protect what you have, and so that's why you have to have a strategy.

I found this cartoon, and I thought it displayed the things that you hear and you see on such a consistent basis. You're bombarded with this information. I mean, with our smartphones that we have today, and the access to information, I mean, it just... It's hard to get away from the negativity, especially when it comes to the market.

What this says here is, "The pilot has indicated we are going to experience a little turbulence. Please fasten your seat belts." Then a guy here, sitting on his seat, clutching his legs, yelling, "We're going to die!" And the person next to him just commenting to his seatmate/her seatmate, "He's a financial reporter," which is basically what it is. This data comes out. Market doesn't like it, or at least the data isn't as positive as it should be, and it's just one data point out of so many, and it's, "Recession is happening." It's, "The end is near." I mean, every single time. It doesn't necessarily matter what it is, but it always happens. Again, I like to separate the news from the noise, when it comes to this stuff. The data does not confirm anything even close to a recession.

Let's talk about the investment strategy. We are believers of diversification. That is, as I mentioned, those pullbacks, those recessions, the average down 42%, yeah, they're no fun to go through, but we've gotten through every single one of them in the U.S., the market has, unless you were not diversified, so meaning you're overexposed to one sector, one industry, one stock. There is very good chance that you don't make it back. You lose all your money. It doesn't come back.

Diversification is key. We know that it works. This is... What I have here, I have asset classes from 1999 all the way through the end of 2018, so here on the left side, the different colors represent different asset classes. We have U.S. and international asset classes focused here, and then the yellow, I had the S&P 500. The reason I broke that one out separately is because that gets a lot of attention. Again, the media/the news, they comment on the down, the S&P 500, and what their performance is on any given day. I've pointed that one out, but then the other asset classes are listed here: large companies, small companies, midsize companies. Some are what we call value stocks, meaning they typically pay dividends. Others are growth companies, don't necessarily pay dividends, reinvest everything in the business, so a little bit different business structure and business cycle.

I've got all these listed here. The year... At the very top of each column is the best performing asset class that year, then all the way down to the worst performing asset class that year. You can see what happens. I've pointed out the S&P 500. That's the one in yellow.

I drew a line through all the years connecting the S&P 500. It had a very bad start to the early 2000s. You can see, compared to the other asset classes, it was one of the worst performers. Actually, for the first 10 years, so the first decade, from 2000 through the end of 2009, the S&P's annual return was -0.9%, so 0.9% negative for the first 10 years. The next 10 years, we've seen a recovery, specifically in large cap U.S. stocks, and you can see how the S&P has performed since then.

One thing I'll point out is, of all the asset classes, it's only been the best performer once. Majority of the time, it's actually in the bottom third, at least on this graph. Anyway, I want to point that out. The black box is a diversified portfolio. This just represents, on a very simplistic basis, just all of these other asset classes, the combination of them added together, and then rebalanced on every single year, meaning at the end of every year, what this is doing is just selling the investment, or the asset class, that has performed the best, at least selling the profits, and taking the profits, and reinvesting them in the other asset classes that haven't performed as well. It's a rebalance strategy.

By design, it will never be the best performer, any given year. It can't, because it's a sum of the components. It can't be the best performer, but also it can't be the worst performer either. It's designed to smooth out the returns over time, so I'd like to point that out, just help people understand why diversification, why it exists, and the philosophy behind it, the mechanics behind it. This is just a simple example. This doesn't represent what we do at Keen Wealth specifically, but it does drive some of the thought process around our initial strategic allocation and our asset classes and our rebalancing.

Now, what then I've done next is said, okay, well, let's look at the best performers over this 20-year period. I've got the different asset classes here listed at the top, and then just put them in order from best to worst performer. You'll notice here the asset allocated portfolio is right in the middle. You've got the S&P 500 towards the bottom third; large cap growth stocks, one of the worst ones, just ahead of the international companies. By design, over long periods of time, the diversified portfolio is going to put you right in the middle, and it's also going to reduce the volatility and some of the standard deviation, as well.

Down below, the only thing I did differently was I just pointed out if, when we add bonds to the portfolio, what that does, and how much better it helps on the downside volatility, so bonds really designed to minimize the downside, help smooth out the returns even a little bit more, and really help get us through those tough periods, as well, because we have bonds in portfolios for a very specific purpose. One, it helps us to set aside a certain dollar amount for everybody, so they have money, not subject to the volatility of the equity markets, that they have access to, for some period of time, whether that's five years, 10 years, 15 years. It's different for everybody.

Where are we headed? Well, Fear and Greed Index, something I pay attention to, it just gives us a very short-term indication on sentiment. There's several indicators compiled here to create this, but it gives us a gauge on market more fearful, more greedy. Right now, we're middle of the road, which actually sets us up well for nice returns going forward, because when we're on the fear side, those are periods to be bullish. Those are things when, when extreme fear is happening, the markets perform well after the fact, and vice versa on the extreme greed. Now, these are shorter term indicators. These aren't very long term.

Then we're going into a very strong seasonal period, so this is over the next, what I've pointed out here, week, month, and three months, what the market's done over those timeframes, going back over the last 10 years. We are at one of the strongest seasonal periods. Q4 is historically very good for the markets, and no reason to believe it to be different this time, either, and especially considering all of the economic data that I just pointed out, and how strong everything looks. Things look very good. The Fed, too, is also very accommodative. They are doing what they can to continue the expansion, and to keep things headed in the right direction.

What I've done here, as well, with our research providers, is we've pulled together drops to the start of October, because October, we had a very, very first few days there, where market definitely had some volatility. We've recovered since then, but what happens for the rest of October, and then for the rest of the year, after we have some drops to start the month of October. This goes back pretty far here. You can see the very first day of October, first business day, what the performance was, and then what happened the rest of

October each one of those years, and then we have average and median returns down here, and then the rest of the year.

In all cases, except for 1931, which was in the midst of the Great Depression, we've actually had a strong finish to the year, when October started. Now this is anecdotal again, seasonal, but considering where we are in the economy with the health of the consumer and corporate earnings still very, still positive, and expectations for strong corporate earnings going into 2020, no reason to believe that we won't see a nice, strong finish to the year. Some of the key takeaways that we've got are, again, markets are at all-time highs, and the economy is just... It's just chugging along. It's not going gangbusters, but it's also not going negative either. We're just slowly moving down the river, like a barge going down.

Consumers are in great shape. Jobs are good. Wages are good. We have a very strong seasonal tailwind for stocks, too, which bodes well for the outlook. Headlines will still always... They'll exist. There'll never not be a time when headlines don't exist, but headlines will continue to drive a little bit of the volatility. I mean, over the last several months, a lot of the trade war headlines... We are seeing markets move in response to those, but again, those are very short term, for that day. That's really what's driving the market, but it always comes back to earnings. That's always what it comes back to.

In the trade war, the reason it's driving a little bit of that volatility, it's like, well, that can have an impact on earnings. As those headlines come out, people react to them, definitely overreact to them. The trade war isn't a significant issue here in the U.S., more of a concern for China and other places, but those will definitely get some headlines going forward.

With that, I'd like to thank everyone for attending. I do appreciate all of the questions that were submitted ahead of time. We tried to address all those in our webinar today. If there's any additional questions, any concerns, definitely email me, mwilson@keenwealthadvisors.com, and also this is... We have a lot of clients on here, and the key to this is having a financial plan, having a plan in place, as Bill mentioned upfront, because the plan, that helps us identify what are we trying to accomplish? What are our goals? When do we want to retire? If we're retired, what are we trying to spend money on, and things like that?

Then it also helps determine what our asset allocation should be for everybody. The financial plan is so important to this, and why we always bring back so many of our conversations to the financial plan, and keeping that up to date. Then also, you have to have an investment strategy. Buy, hold, and hope. I mean, it works, but it's definitely scary, and you've got the world working against you when it comes to that, and so having a strategy, putting if/then implementation intentions in place, meaning if this happens, I will do this. We have those here at Keen Wealth. We know, if we start to see red flags in the economy, we have the moves already ahead of time, what we're going to do, inside the portfolios, the shift that we're going to make between the different asset classes, to protect assets on the downside, to do what we can to minimize the volatility.

You've got to have a plan and a strategy when it comes to the investments. You've got to take the emotion out of it, remove the news from this whole concept, and really just focus on what matters. With that, if anyone, anyone listening to this, any clients, any friends of the firm, any questions that you have, concerns, definitely reach out to me. You have my email there, but also, if you have friends, family, colleagues, if anybody is nervous about the market, the economy, what's happening in their life, definitely shoot them our way. We are more than happy to take care of them, especially anyone who's a friend of our firm here. We will help anyone.

We have myself, plus our other team of planners, as well, that can put the financial plan in place, put the investment strategy in place, help people, put them to ease when it comes to all of this stuff. Again, thank you. Any additional questions, comments, anything you have, again feel free to email me at mwilson@keenwealthadvisors.com. Thank you all very much.