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## *Long Run Market Update – Dec 23, 2018*

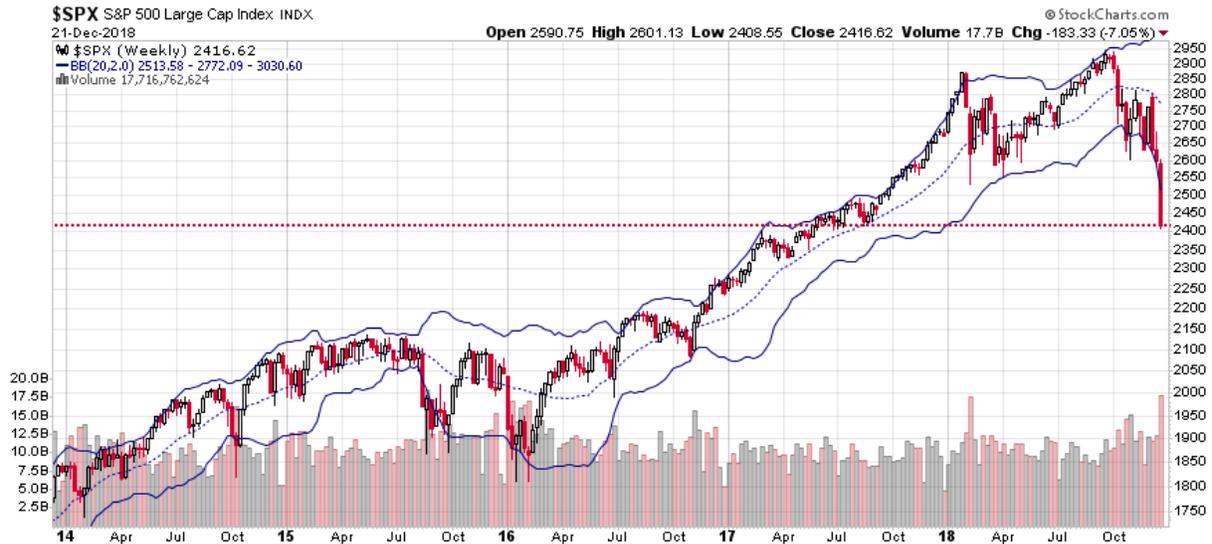
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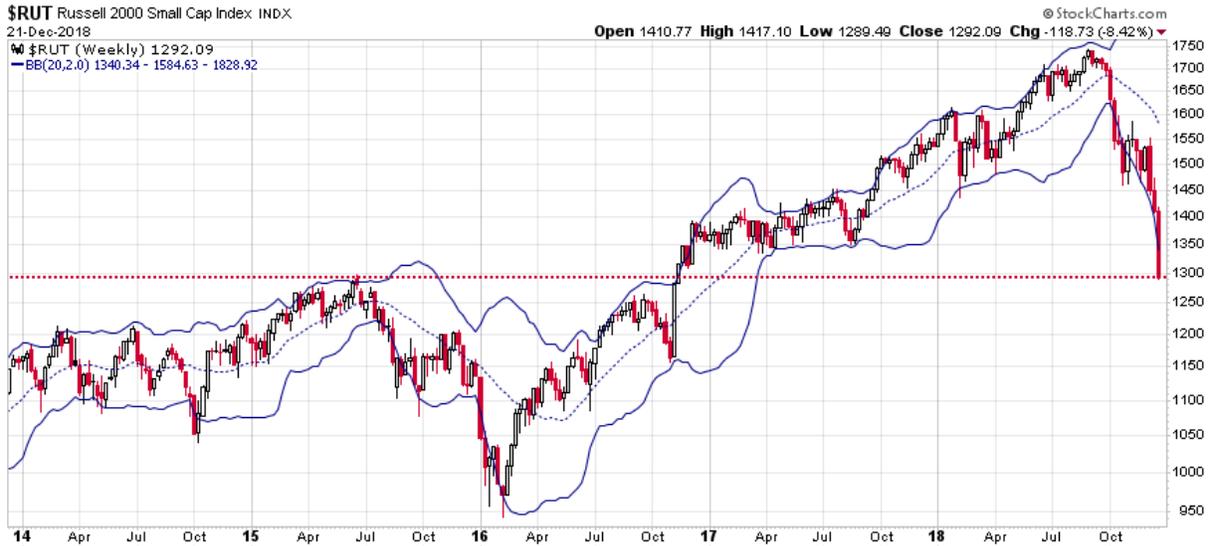
December may be one of the worst month's ever for US equity markets. Here's what we said in our last market update in October. "No one should be surprised if markets remain volatile for a few weeks or even longer. Investors are spooked and may feel the urge to sell first and ask questions later."

Markets actually recovered a bit in November, but December has seen steady selling. The narrative machine is working overtime to provide reasons:

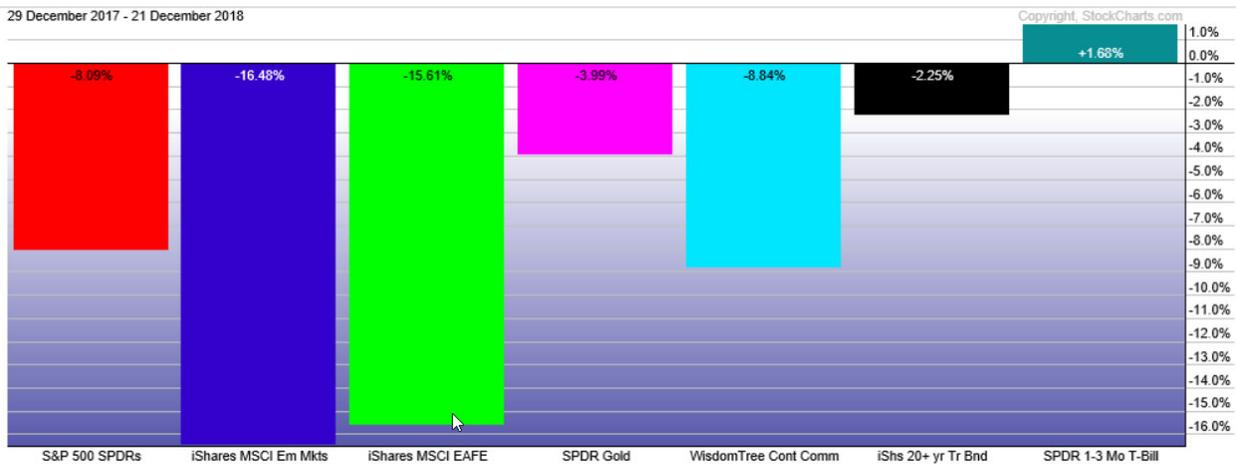
- Continuing uncertainty about trade relations with China;
- Signs of economic slowing in both Europe and Asia;
- Another interest rate increase by the Federal Reserve – quickly labeled a "policy mistake" even though it was widely anticipated;
- Turmoil in the White House as the Cabinet continues to turn over;
- Anticipation of more political battles as the Democrats take control of the House in January.

As shown below, the S&P 500 index has given back most of the progress made since Trump was elected, having dropped 18% from the high in September. The Russell 2000 small cap index has fallen 26% from its high and all the way back to prior highs in 2015 and 2016.





It's not just US stocks having a bad time. Year-to-date performance of international equities is worse. Gold and commodities are both down. Even Treasury bonds are in the red (with corporate bonds weaker still). Cash has been the only refuge.



So much for the Santa Claus rally. Many market analysts look at this dramatic sell-off and see signs that it has gone too far and will turn around. That may happen, at least temporarily, but further caution is warranted when charts are this “broken.”

Three of the four LongRun strategies took defensive postures at the end of October and will almost certainly remain in “bunker mode” going into 2019. Sometimes a low return is better than no return. We’ll be back with more commentary early the New Year.

Please contact me with any questions you may have.

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