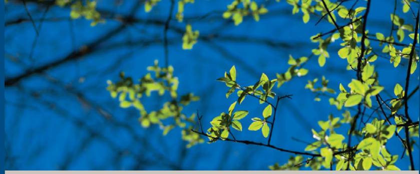

IN THIS ISSUE

- Marketpoint
- Recommended Reading: *Atomic Habits*
- Firm Update

OBERMEYER WOOD **NEWS**

SPRING 2019

MARKETPOINT

Investors often talk about fear and greed when debating what is driving the stock market. In some ways, this is an oversimplification, but there are also grains of truth to these general beliefs on emotions. Sudden shifts in investor sentiment often account for big swings in market value. When investors get nervous, they aim to lock in their current value by selling stocks or "going to cash," and when they feel optimistic about the markets, they add to their accounts in hopes of repeating recent success. These practices, when done in aggregate, can unfairly drive down prices if investors are fearful or make stocks too expensive thanks to a mentality of greed.

Investor Fear and Greed Index Over Time: What Emotion is Driving the Market?

Source: CNN Fear and Greed Index

This phenomenon is so well known that analysts formally track how "greedy" or "fearful" they believe investors are at any given time. For example, *CNN's* "Fear & Greed Index" aggregates seven indicators to gauge the feelings of investors. For much of the first quarter, this index suggested that the market was slightly more positive than negative, with a greed indicator above fifty. In comparison, the indicator was below ten in the fourth quarter of 2018 following the precipitous decline in stocks we saw last November and December. In reality, investors were likely too fearful late last year, creating oversold conditions and contributing to this year's strong performance. Year-to-date, the S&P 500 and NYSE indices have returned about 14% and 12%, respectively.

More often than not, investors misread the various signals, causing them to sell too soon or wait too long to reenter the market. Rather than compounding returns, their portfolios languish, and these investors are worse off than if they had stayed invested. Even the best investors acknowledge that they rarely time the market to their advantage. One way to avoid this outcome is to take a balanced view of the drivers behind economic and corporate growth to gain comfort with investing for the long-term. Global growth, interest rates, efficiency gains, and innovation are among the factors to consider, and put in perspective. ›

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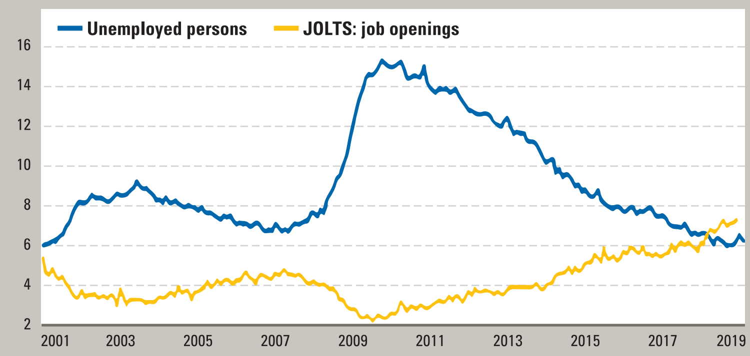
WHERE ARE WE NOW?

Global growth is under pressure following signs of slower economic activity in recent months. The International Monetary Fund (IMF) reduced its forecast for world economic growth in 2019 to 3.5%, down from 3.7%. Business leaders are citing political issues and trade tensions as possible risks for further economic advancement. FedEx CEO Fred Smith declared, "If there's not some solution to Brexit and some resolution of the China-U.S. trade dispute, it's unlikely to see much global growth in our fiscal '20 or the remainder of calendar 2019." Several other companies have echoed Smith's concerns in recent conference calls. A slowing economy is disconcerting, yet the absolute level of global growth reflects a solid economic backdrop and is broadly in line with the 3–4% growth level we have experienced in recent years.

Meanwhile, central banks throughout the world are acknowledging potentially slower growth and turning increasingly dovish. Federal Reserve Chairman Jerome Powell implied earlier this year that interest rates would not increase in 2019, and he even noted that the Fed is open to lowering rates. The European Central Bank plans to keep rates on hold for the remainder of 2019, and China has been engaging in policy moves to stimulate its own economy. According to Goldman Sachs, history suggests that tightening monetary policy is the most frequent contributor to modern recessions. Therefore, a dovish Fed outlook puts investors at ease, and the markets have reacted positively to this softer-measured stance.

There Are More Job Openings Than Unemployed People



Source: Charles Schwab, Department of Labor, FactSet. Unemployed persons as of February 28, 2019. JOLTS as of December 31, 2018.

In the U.S., the labor market continues to be a bright spot, although there are signs of moderation. Unemployment has been trending lower for several years and is currently at 3.8%, the lowest level in five decades. According to data from the Bureau of Labor Statistics, there are more job openings than unemployed people available to fill them. While this is good for consumers and ultimately the economy, tight labor markets make it difficult for businesses to hire and manage costs. The expectation among many experts is that this trend will raise wages and lead to inflation, yet this isn't happening. Inflation remains below 2%, contradicting the long-held view that low unemployment can cause the economy to overheat. Several indicators suggest more modest employment growth for 2019 compared with last year; this moderation could keep the overall job market healthy, while also being positive for business and inflation expectations.

LOOKING AHEAD

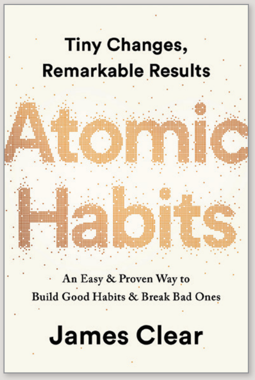
Developments over the last few years give us reasons to be optimistic about the long-term prospects of the U.S. economy and markets. For example, the digital revolution is affecting several business sectors in profound ways. Companies can meet the needs of customers more effectively and efficiently. In the past, marketing teams would conduct research by assembling self-selecting focus groups of individuals who were willing to give up their time in exchange for a small monetary reward. It was inherently biased and riddled with logistical hurdles. Today, companies have ample means to get the same or in many instances even better information, thanks to digitally enabled techniques. An example of this would be the advances in aggregating social media data and creating digital ethnographies (observing individuals in their online environment.) Users spend an average of three hours a day on their smartphones, with the vast majority of that time on social media apps which, as we have found out, collect massive amounts of consumer and user data. If companies can interpret this data correctly, they can deliver more relevant and value-added products to consumers, ultimately benefiting companies using those platforms to increase revenues.

The digital revolution also has the potential to improve the health and well-being of Americans significantly. Self-driving cars may ultimately lead to a safer driving experience while reducing emissions as customers engage in the ride-share economy and use their vehicles more efficiently. In the healthcare sector, mobile apps are helping patients communicate more frequently with their providers via virtual medicine options. Data scientists are also working to connect the dots between how individuals lead their lives and the underlying causes of an increasing number of diagnoses and diseases. These improvements aren't without associated social, economic, and cultural costs; privacy issues, technology addiction, and other risks are valid and need to be examined and managed.

BACK TO THE MARKET

By acknowledging the role that fear and greed play in moving the market, investors can shrug off big swings and focus on the available data. So far this year, the market has successfully rebounded from 2018 levels as solid earnings and economic news came to light. However, recoveries can be slow and sustained, or volatile with several vacillations before moving to a higher level. It is possible the market will experience another downdraft, especially as rhetoric and policy indecision around a no-deal Brexit escalate, and trade discussions between the U.S. and China drag on with mixed signals on final outcomes coming from negotiators. That said, markets tend to grow over time, driven by strong economies that benefit from innovation and businesses that push new limits. The essential principle to keep in mind when investing is that by staying the course and not overreacting, you are more likely to participate in growth and build wealth over a long-term market performance.

RECOMMENDED READING: *ATOMIC HABITS by James Clear*



Nearly everyone, no matter their stage in life or profession, can relate to the fact that it can be a huge struggle to not only stop bad habits but to also start good ones that last over time.

There are countless books and research articles floating around about habits and behavioral change, but our current favorite is *Atomic Habits,* by James Clear. The reason that we found this book to be so valuable is that it does a masterful job of explaining behavioral change information in a clear and actionable series of small (think atom-sized) steps. These steps can be used to help you improve habits in your personal and professional lives, resulting in systemic success in one or both. As the author says, "Success is the product of daily habits, not once-in-a-lifetime transformations," and those habits are the minimal yet incremental changes that can result in enormously noticeable results over time. In this vein, Clear likes to point out that too often, we convince ourselves that massive success requires massive action. Instead, we should focus on tiny, consistent daily improvements that will result in noticeable positive change over time. In short, try to get 1% better at one thing each day, and you will be 37 times better at that chosen thing at the end of one year.

So, how do we make these tiny improvements to one day realize the long-term gains? The key, according to Clear, is to focus your mindset on positive, small, and incremental changes to the systems that you use to help you in your day-to-day, as opposed to having the mentality of just achieving goals. If one concentrates only on achieving goals, it can reinforce subpar or even bad habits by rewarding us with short-term results, as opposed to small improvements in daily systems and practices that provide for long-term successes.

Clear uses impactful personal anecdotes in addition to fascinating case studies – like that of the long-suffering British cycling team that achieved success by improving often-overlooked training systems and habits – to reinforce his positive message that we can all use in our personal and professional lives. Please let us know if you are interested in reading *Atomic Habits*, and we will send you a copy.

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FIRM UPDATE

FINANCIAL STRATEGY MEETINGS

As your life changes, your financial strategy also evolves. Our team is here to help you and your family navigate major transitions and milestones. Our services include financial reviews and in-depth strategy meetings designed to help keep your balance sheet on course to achieve your long-term goals.

Our firm uses powerful financial strategy software to answer clients' questions about spending levels, gifting desires, retirement, and more. This analysis covers not only the accounts we manage for you but other assets, such as real estate. Once we develop an initial model for you, we can update it as your circumstances change.

If you're interested in learning more about these strategic planning services and whether they're right for you, please let us know.

OBERMEYER WOOD RISES IN *FORBES* AND *BARRON'S* RANKINGS

The first quarter of the year proved to be one that honored our continued commitment to our clients and the extraordinarily hard work of our team as the firm rose in two separate industry-leading rankings published by *Forbes* and *Barron's* in February and March, respectively.

We are excited to share that *Forbes'* 2019 state-by-state ranking of America's top wealth advisors, compiled in partnership with SHOOK Research, includes Wally Obermeyer and Ali Phillips (numbers two and seven, respectively). Phillips rose two spots from 2018, when she was number nine. Obermeyer Wood is also the only firm in Colorado with two advisors ranked in the top 10. A total of nearly 30,000 advisors were nominated. The photo above features Wally, Ali, and Dana Nightingale attending the invite-only conference held each year for recognized Top Advisors.

In March, *Barron's* released its highly anticipated 2019 ranking of the nation's best financial advisors. Representing our firm, Wally was named one of the top 1,200 advisors in the country and number two in the state of Colorado (up from number three last year). Additionally, Obermeyer Wood Investment Counsel was the top-ranked independent firm in Colorado.

We are humbled to be included in these rankings, and we believe they reflect the ongoing partnership, loyalty, and support of our clients. More details can be found on our website under the "News and Media Appearances" section.

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