

BANK & TRUST INSIGHTS

December 2018

Happy New Year's Eve! As we close out the year, we want to share with you our thoughts regarding the market volatility we faced throughout the holiday season.

The recent succession of the "worst Christmas Eve on record" followed by the "best 1-day since 2009" is an appropriate representation of the headlines investors grew accustomed to in 2018.



Currently, investors who believe the market will decline are looking for a trigger point to indicate the economy is on the precipice of recession. Trade talks, Fed tightening, Brexit, and Washington politics all take turns as the headline risk factor. It is true there are a multitude of worrisome issues in the world today, however this will always be the case. We would argue that the biggest risk facing the markets today is uncertainty.

The unknown outcome and the widespread media coverage of so many potential risks has caused significant pessimism to be priced into the markets. Fear readings are high—the Volatility Index (VIX) is currently hovering in the mid 30's. Exactly one year ago the VIX was 11, and its long-term average is in the low 20's. Investors are exceedingly fearful of stock market declines today. This level of negative sentiment is often an indication of being closer to a bottom than a top when there are short-term swings in the market.

strong, consumers are spending, home prices are up, and households have less debt than they did at the last cycle's peak. Although interest rates are rising, by historic standards we are still in a very low rate environment. Nothing about these fundamentals would justify the extaordinary volatility we have seen in the market, and unfortunately this positive quantitative data is often glossed over in news coverage.

While it may feel as though the sky is falling, the current correction is well

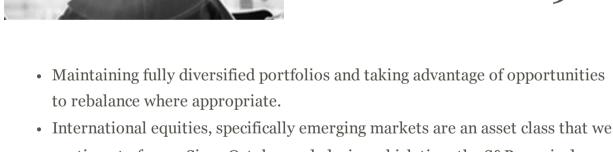
Despite the fear, economic fundamentals appear to be solid—the job market is

within the range of expected outcomes, given the advanced stage of the current bull-market. P/E ratios are much lower than they were at the start of the year. Many areas of the market are now trading below long-term averages, indicating those asset classes are undervalued today. 2018 has also been a banner year for earnings growth—earnings growth is expected to be 20.3%, the highest that it has been since 2010. The strategic allocations we build into our client portfolios are designed to

Over the course of the last few weeks, this diversification benefited client portfolios, which did not experience the same 15% decline as the S&P 500 since October 3rd. Reacting to market swings or adjusting portfolio allocations during times of heightened volatility can be extremely detrimental to the long-term success of

withstand volatility and be consistent with each client's risk/return profile.

a portfolio. The best strategy is to stay invested and continue to strategically rebalance to your target allocation.



exposure.

Maintaining fully diversified portfolios and taking advantage of opportunities

What is Parkside

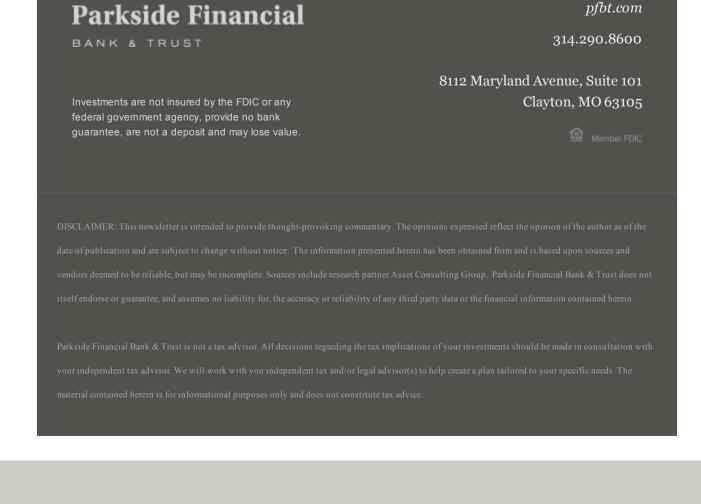
focusing on as we head into 2019?

- continue to favor. Since October 3rd, during which time the S&P 500 is down 15%, the best performing equity sub-category has been emerging markets with
- losses at about 8%. They have suffered a rough 2018, but stand to have a strong bounce if trade talks can be defined. • Shifting to Value vs. Growth equities. Year to date, Value equities have been lagging Growth equities, but have started to outperform in the last quarter of 2018. • Continuing to overweight the short end of the maturity range for fixed income
- Maintaining cash positions specific to each client and appropriate given their level of portfolio withdrawals.

As always, we value our relationship with you, thank you for your support and look forward to working with you in 2019 and beyond. Should you have any questions, please do not hesitate to contact a member of our team.

healthy and prosperous new year!

From our family to yours – we wish you a



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