

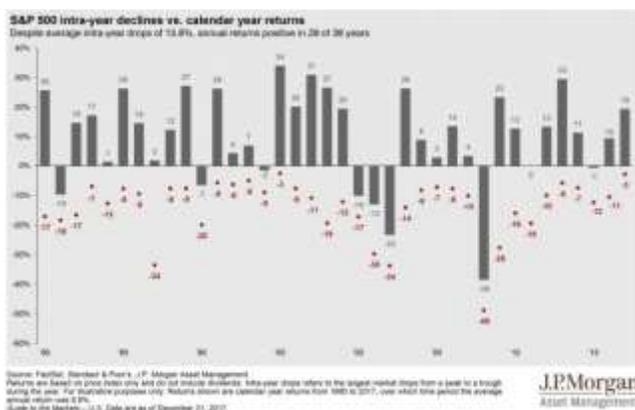
# HOW TO READ AND WATCH THE FINANCIAL MEDIA



It finally arrived. We knew it was coming at some point, but as usual we didn't know when, what it would look like, or what would trigger it. Despite the news media's claims to the contrary, they don't really know what triggered it either. To put the decline into context, when looking at our model portfolio returns through yesterday's market close, they are essentially back to where they were during the last week of December.

The trading activity over the last several days has clearly shown a reversal of the "goldilocks" environment of the recent past. The S&P 500 flirted with the technical definition of correction (-10% drawdown), and volatility has spiked. This is more akin to what normal markets look like, although that doesn't make it sting any less or cause any less anxiety for investors who have become accustomed to the smooth upward ride we've been on. From an economic perspective, we see very little change to the trends we have been observing over the last year. Earnings growth continues to be strong, growth is improving, unemployment rates are low and have held steady just above 4%, while inflation remains modest.

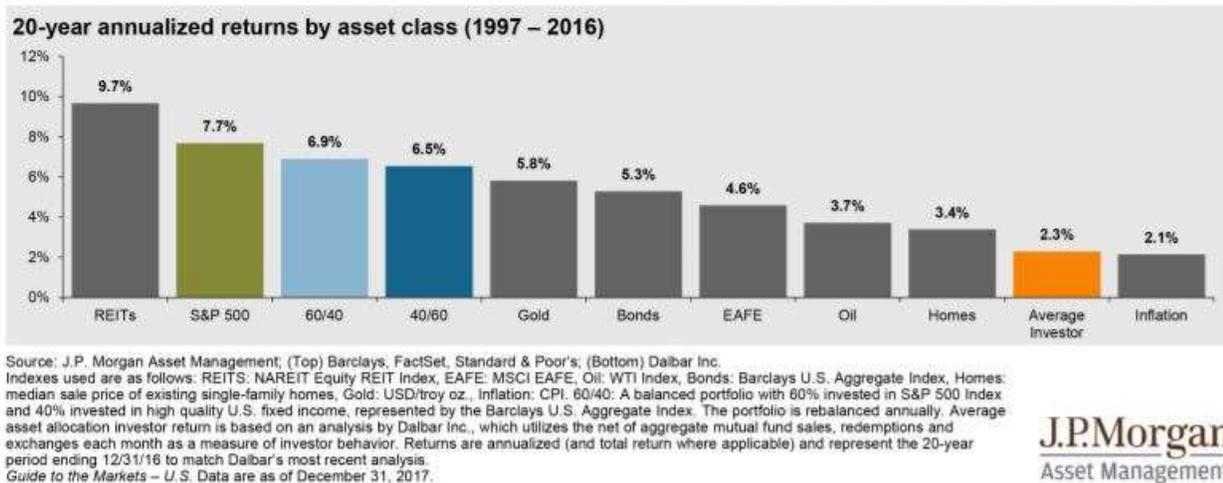
We often use the following illustration from JPMorgan's Guide to the Market, which shows historical intra-year drawdowns for the S&P 500.



If history provides any guide, clients should anticipate that equity markets will roughly experience:

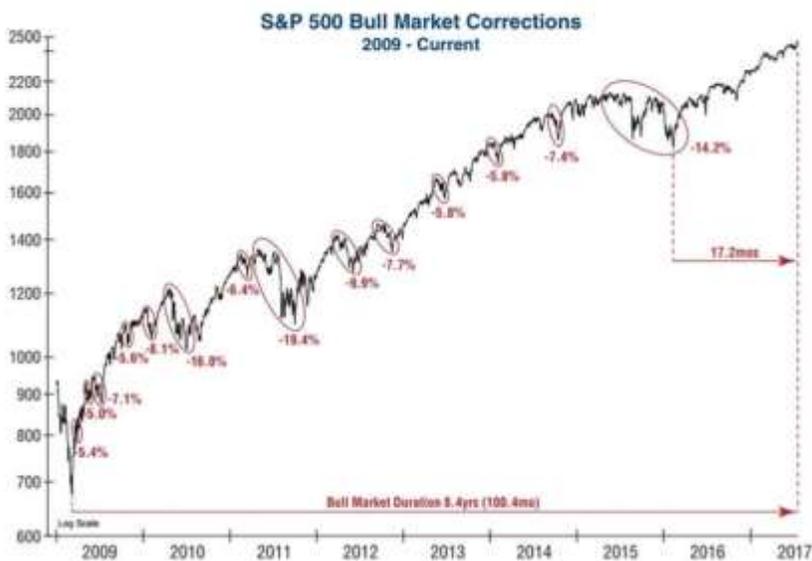
- 10% losses every year
- 10-20% losses at least once every two to three years.
- Greater than 20% losses at least once every five to six years.

As you know, we believe in long-term investing and that timing the market is a futile effort. The following is a graphic that summarizes the findings of the Dalbar study on average investment returns.



From here you can see that the “Average Investor” would have been better served over the past 20 years by not trying to time movements in and out of asset classes, but rather simply staying invested. In fact, they would have been better off just staying in any single asset class as opposed to trying to switch between them. Emotion can be very powerful during times of market turbulence, but having a disciplined investment process helps relieve our natural tendencies to react.

While we certainly do not know the future, we can look at the past and recall the path we’ve traveled to arrive at where we are today since the 2008 Great Financial Crisis. These past corrections were painful as well, but nonetheless were clearly not a signal to abandon a well-defined and disciplined plan.



Turning to the “Experts” and the news media. Our message would be to just TURN IT OFF. We call it financial pornography.

The news media is not interested in actually relaying facts or helping investors reach their goals. They are trying to generate interest, clicks and viewership. And what sells better than fear?

We surveyed some major news sites yesterday afternoon and the term fear-mongering came immediately to mind. The visuals: red, stress, declines, anxiety. The verbiage: historic plunge, meltdown, terrifying.



None of this is helpful for investors.

Finally, we really like this chart, which illustrates numerous market experts' dire predictions over the recent past, all of which if heeded would have been detrimental to investors long-term success:



In closing, Bob Veres, an industry thought-leader we hold in high regard, suggests now is a great time for a little exercise that perhaps we would all be well-served to try: “It’s possible that the markets will drop further—perhaps even, as we saw during the Great Recession, much further. Or, as is more often the case, they may rebound after giving us a correction that stops short of a 20% downturn. The rebound could happen as early as tomorrow or some weeks or months from now as the correction plays out. Once it’s over, no matter how long or hard the fall, you will hear people say that they predicted the extent of the drop. So now is a good time to ask yourself: do I know what’s going to happen tomorrow? Or next week? Or next month? Is this a good time to buy or sell? Does anybody seem to have a handle on what’s going to happen in the future? Record your prediction, and any predictions you happen to run across, and pull them out a month or two from now. Chances are, you’re like the rest of us. Whatever happens will come as a surprise, and then look blindingly obvious in hindsight. All we know is what has happened in the past. Today’s market drop is nothing more than a data point on a chart that doesn’t, alas, extend into the future.”

Have a great weekend!

Source: First Ascent Asset Management

## Golf Tip of the Week



### How Can Timing Improve Your Golf Game?

Accuracy and precision in your tee shot lie in the microseconds, the speed at which you swing your club. Too fast and the ball is going on a wild adventure to nowhere. Too slow and you might as well go bowling.

How do you find the happy medium? How do you develop that perfect timing to put your shot on the straight and narrow?

Here are 4 tips from the pros:

1. **Slow it down quickly:** Strangely, avoid both ends of the spectrum, too fast or too slow. Shoot for that middle ground.
2. **Don't think about it:** It may seem counterintuitive, but try not to think about speed. Put it out of your mind. Develop a kind of second nature golf swing from muscle memory.
3. **Practice flooring it:** Step up and do a few practice swings with your driver at full throttle. Then let off the accelerator—about half speed—and step up to go live.
4. **Go head-on:** Find yourself a speed and a flow that allow your clubface to hit the ball squarely for longer and straighter shots.

Adjusting your swing may be all it takes to up your game.

Tips adapted from Golf Digest<sup>1</sup>

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## Recipe of the Week



### Fiesta Nacho Casserole

Serves 4

#### Ingredients:

3 cups rotisserie chicken breast meat  
2 large tomatoes  
1 cup carrots  
1 cup corn kernels  
½ cup salsa verde  
2 cloves garlic  
1 teaspoon chili powder  
3 ounces baked whole-grain tortilla chips  
½ cup crumbled feta cheese  
Cilantro leaves  
Hot pepper sauce

#### Directions:

1. Heat oven to 400°F.
2. Use nonstick cooking spray on 2-quart baking dish.
3. Mix chicken, tomatoes, carrots, corn, salsa verde, garlic, and chili powder in a large bowl.
4. Put ⅓ of the chips in a baking dish.
5. Add half of the chicken mix on top.
6. Add half of feta.

7. Repeat layering of chicken mix and feta.
8. Arrange the rest of the chips on top.
9. Bake for 20 minutes.
10. Put cilantro on top.
11. Serve with hot pepper sauce.

Recipe adapted from Good Housekeeping<sup>ii</sup>

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## Health Tip of the Week



### Understanding Kidney Stones

Talk about kidney stones with someone who has never suffered from them; they may shrug and express sympathy for sufferers. Talk about kidney stones with those who have experienced the excruciating pain of this condition; they immediately understand the pain and express a deep sense of empathy.

More than 200,000 people per year suffer from nephrolithiasis, a condition involving hard deposits of mineral and acid salts that stick together in concentrated urine.

Kidney stones typically pass on their own after a few days. Treatment options include:

- **Use painkillers.** Nonprescription pain medications, such as nonsteroidal anti-inflammatory drugs, provide some relief.
- **Drink, drink, drink.** Passing a stone requires drinking lots of water and other fluids.

Your doctor may prescribe medicine to help you pass the stone or administer other medical procedures if the pain is too intense, the stone is too large, or you suffer an infection.

Tips adapted from WebMD<sup>iii</sup>

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<sup>i</sup> <https://www.golfdigest.com/story/improve-your-timing-for-better-tee-shots>

<sup>ii</sup> <http://www.goodhousekeeping.com/food-recipes/a15662/fiesta-nacho-casserole-recipe-ghk0913/>

<sup>iii</sup> <https://www.webmd.com/kidney-stones/tc/kidney-stones-treatment-overview>