



WASATCH
CAPITAL MANAGEMENT OF
RAYMOND JAMES®



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The election is over. -Article by Mark Lazar

The stock market is a device for transferring money from the impatient to the patient.

- Warren Buffett

With the election officially behind us we can finally focus on things that matter. It's easy to get caught up in the political hoopla and fret about the latest headline, but the reality is very little of what whips the media into a frenzy actually affects life on Main Street. What matters to most people is their family, health, job, wages, taxes, community, the environment, and their ability to live life in the way they choose.

This is analogous to the stock market. What drives the market isn't the latest political headline but, rather, the *expectation* of changes in fundamentals; economic growth, tax rates, trade policy, regulation,

corporate earnings, inflation, etc. Which is why the market oftentimes (correctly) ignores headlines that may be newsworthy, but either don't move the needle in terms of fundamentals or the news was already priced-in. An example would be Hurricane Florence, which caused an estimated \$50 billion in damage. The initial forecast was dire, however, the damage turned out to be far less than expected. Consequently, a company like Berkshire Hathaway, which had significant exposure to the southern Atlantic coast, jumped from \$313K/share on day one of Florence, to [\\$326K](#) on the last day; the loss, while great in dollar terms, proved to be much less than expected. In other words, the market was able to correctly price-in the actual cost of the damage and expectations changed for the better.

So, what caused last month's [11%](#) top-to-bottom dip in the market? A change in expectations of fundamentals or something else? Let's start by reviewing fundamentals:

- Unemployment stands at [3.7%](#), projected to hit 3.6% by year-end, and [3.3%](#) by the end of 2019.
- Total cash earnings for workers is up [5.5%](#) over the past year.
- Inflation is up [1.99%](#) year-over-year, almost exactly at the Fed's target inflation rate of 2.00%.
- Corporate earnings grew [26.1%](#) in Q3, and are projected to finish up [23.3%](#) higher for the year.
- Earnings growth is projected to be nearly [10%](#) in 2019, or close to double the long-term average.
- The forward price to earnings ratio of the S&P 500 is [15.6](#), well below the past five-year average.
- U.S. business confidence is at a [40+ year high](#).
- Consumer confidence is trending at nearly a [two decade high](#).
- Interest rates are climbing, but at a predictable, measured pace, and are still far below LT averages.
- Business investment is up 8.57% year-over-year.
- The U.S. dollar gained [4.24%](#) in 2018. This is great if you're traveling abroad, but a negative for foreign trade.
- Despite President Trump's trade skirmish, U.S. exports are at [record levels](#). Ironically, so are imports.

U.S. fundamentals aren't just strong. They're exceptional. So, why then did the markets suffer a second correction in 2018? Most of the time, price and value are one in the same. However, there are periods when the two diverge, and assets become either overpriced or underpriced. 82 years ago, John Maynard Keynes coined the term "animal spirits" to describe a market that behaves irrationally, and price and value decouple. We believe October was such month. We also believe the U.S. economy still has plenty of steam and the stock market will likely soon recover and continue to set new highs. Which is why we don't recommend reacting to short-term swings in the market. Yes, the market is forward-looking, but oftentimes gets it wrong in the short-run. As long as the fundamentals are sound, and they are, we believe patience will be richly rewarded.



‘Tis the season for charitable giving

No matter what traditions you hold around the holiday season, there is one we can all share: The importance of giving to those less fortunate than ourselves. Charitable giving can be one of the most satisfying aspects of a financial plan – and it may even have a feel-good impact on your year-end tax liability. So how can you do good and feel good when you hear the oh so familiar ring of the Salvation Army bell?

Before you open your wallet or spend one of your weekends volunteering this holiday season, check out the myriad of charitable vehicles and methods to choose from:

Qualified Charitable Distributions

Over age 70 ½? Gift to charities directly from your IRA, and have it count towards your annual Required Minimum Distribution (RMD). The distribution is not taxable to you as a distribution.

Donor advised funds

This acts as your own personal public charity. By moving funds to a DAF, you can claim an immediate income-tax deduction and then make grants in future years according to your original giving plan. Donor-advised funds are ideal when you know you want to give, but haven't yet decided upon worthy recipients. You can boost your tax savings by giving appreciated securities to the DAF.

Giving appreciated securities

Funding charitable gifts with appreciated stock or mutual funds, rather than cash, yields a bigger tax benefit since you can deduct the full value of securities held more than one year without paying capital gains taxes on the appreciation. If you are donating to tax-exempt organization, it will not pay capital gains taxes.

Outright gifts

Write a check, or send a wire, and take a charitable deduction on your itemized deduction.

For more ways to give, or to find the way most compatible with your financial plan, give us a call to set up time to review! 385-275-3606

Wasatch Team Updates

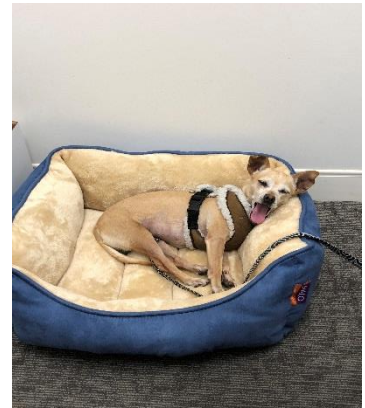


Mark

Happy Birthday Victor! Mark's dad Victor is celebrating his 99th birthday this month! Born in November 1919, Victor still goes to the gym daily, loves to travel, eat pie, and spend time with Mark, Savina, their dog Molly, and his cat.

Morgan

Meet Fifi the miracle dog! The animal shelter brought Fifi over to Morgan's house so Morgan could foster her, and as soon as they took her off her leash, she ran away! Fifi survived 6 nights on the run in the hail and snow, looking for her home. Now found and reunited, she won't let Morgan out of her sight!



John

John and Shawn travelled to New York City last week to watch the New York City Marathon and enjoy some of the world's greatest food. Here they are pictured on the Brooklyn Bridge.

Elisha

Happy Halloween from the Elisha and Josie. This picture is taken at the Hogle Zoo's annual "Boo Lights" on a cool October evening.





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“Successful investing is about managing risk, not avoiding it” Benjamin Graham

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