

'tis the season. Or is it?

With only a few weeks to go before Christmas, it's time to take a look at where we've been this year and what might lie ahead. Unlike 2017, at least from an investment perspective, things have changed dramatically. Last year saw an almost nonstop rise well into the double digits with nary a pullback.

January saw more of the same, but was then rudely interrupted by a dramatic downturn that reawakened Wall Streeters to the reality that prices move both ways. Over the next eight months, in the wake of that weakness, shares staged a substantial, albeit volatile recovery.

Then new clouds gathered on the horizon and started significant churning again. For one thing, it became increasingly clear that the 20%+ earnings gains now being registered would be giving way to a considerably slower rate of advance in 2019. What's more, the Fed's policy of quarterly interest rate increases held the prospect of excessive credit tightening if it went much farther. And then there's the matter of tariffs on Chinese imports, which are scheduled to rise markedly on January 1<sup>st</sup>, if no working agreement can be negotiated before that time.

Taken together, these are not encouraging matters. With that said, however, the prospective earnings slowdown must be taken as a given. And it seems likely that the Fed is increasingly leaning toward a pause in rate upticks over the next few quarters. The major unknown is the tariff situation. If nothing changes, that may well derail the ongoing expansion. If a compromise can be engineered, what lies ahead will probably be a period of moderate gains with normal, occasional slowdowns along the way.

Given the extent of the recent market slide, overall valuations have come down well within a reasonable range. Here and there, this has resulted in a variety of well-priced opportunities.