MARKET

Insights

Webster Private Bank®

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Whiplash

Investors can be forgiven for seeming disoriented for the past two months. After delivering a **+5.7%** return in January, the stock market (S&P 500) fell **-3.7%** in February. The bond market has continued on a downward trajectory this year, with the Barclays US Aggregate bond index down **-2.1%** through the end of February.

The month of February saw the stock market breach a **-10%** decline, which is technically a "correction" in common investment terms. The **-10.4%** decline in the Dow Jones Industrial Average occurred in just 9 trading days, from January 26 to February 8. This was the fourth shortest time span for a correction ever, and the quickest since the Great Depression (the next fastest correction was a 12- trading day drop of -10% from Sept 28 to Oct. 11, 1955).

It previously had taken only 7 weeks for the stock market to rally up **+10%** from December 6 to its peak on January 26. This was wiped out in the 9 fateful days above. Whiplash indeed!

The Bottom Line

As we wrote last month on February 6th in a special edition of Market Insights, we expect markets to face increased headwinds in 2018. Volatility, interest rates and inflation pressures are all trending higher, while markets expressed a negative view of Trump's proposed tariffs and trade barriers last week. The US dollar is likely to continue weakening as growth improves in Europe and Asia, which will result in higher prices for commodities and imported goods.

***Five Quickest Stock Market Corrections By Trading Days** (Dow Jones Industrial Average)*

Dates of Correction		DJIA Index Level		Decline		Trading Days
From	To	Start	End	Points	% Change	
5/1/1901	5/9/1901	76	67	-9	-11.3%	6
11/3/1919	11/12/1919	120	107	-12	-10.4%	6
11/18/1928	12/8/1928	296	264	-32	-10.7%	7
1/29/2018	**2/8/2018**	**26,617**	**23,860**	**-2,756**	**-10.4%**	**9**
9/28/1955	10/11/1955	487	439	-49	-10.0%	12

Source: Down Jones Indexes, Morningstar database, Webster Private Bank calculations

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We continue to position client portfolios accordingly for this environment:

> *"...when the longer-term market outlook remains positive, these temporary corrections represent investment opportunities."*

1. *Maintaining average maturities of less than five years in Fixed Income allocations;*

2. *Beginning to re-allocate client Equity holdings from US large companies to small and midcap US companies, Emerging Markets in Asia, and European markets; and,*

3. *Holding higher than average cash balances and adding to alternative absolute return strategies that may benefit from increased stock volatility and provide returns that are uncorrelated to stock and bond markets.*

Parting Words

Stock market highs unfold in a process, while stock market declines occur as an event. The difference in speed between the two can seem jarring, and looking at losses can invite anxiety and action. However, when the longer-term market outlook remains positive, these temporary corrections represent investment opportunities. The assumption, of course, is that an investor's strategy is properly aligned with his/her investment objectives. The bottom line? Patience and a strong stomach should be rewarded in 2018.

TO VIEW A MORE DETAILED DESCRIPTION AND ANALYSIS OF THESE INSIGHTS, VISIT WWW.WEBSTERBANK.COM/PB.

We hope you've found this commentary helpful. When you're ready to put these insights into action, visit www.WebsterBank.com/pb, contact your Webster Private Bank Portfolio Manager, or email us at pbinfo@websterbank.com.

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