



“The British are probably coming, but it’s been a busy week and they aren’t feeling a hundred per cent and they’ll text later.”

Jason Adam Katzenstein; © Condé Nast — Used by permission

## THE GREEN SHOOTS — Ned Montag, CEO

Sometimes it’s good to look in the rearview mirror, and really think if, as advertised, “things are closer than they seem.” As expressed in our prior *Viewpoints*, the last three months of 2018 was an abrupt reversal in the markets, after a year of mostly positive returns. 2018 in many ways was defined as “one step forward; two steps back,” but for some perhaps three or four steps back. That kind of year can make it tough to sustain one’s enthusiasm. Progress, if any, comes so slowly.

But, the green shoots of spring began in earnest in 2019, and with that new growth comes the reminder that the investment experience can, and will change, just like the seasons. As we move forward into warmer climes in 2019, we can always be hopeful (and in the spring season, hope springs eternal) of a more affirming investment experience. A long term view makes for the best anchor when it comes to investment discipline, so keep that in mind. Investing, like baseball, can feel intense every minute of the game, but in fact, the score accumulates very slowly, and a few key moments make all the difference. And of course in the investment game, there is no bottom of the ninth. Enjoy the warmer weather, and thank you all, friends, for letting us go to bat for you! **M**

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## MARKET OBSERVATIONS — Chris Guinther, Portfolio Manager

2019 stock prices are off to the best start in over 25 years with the markets doing an about-face in the first quarter from the year-end negative performance we witnessed. Whereas the three major indices (the Dow Jones Industrial Average, the S&P 500, and NASDAQ) all finished 2018 in the red thanks to a steep decline in the fourth quarter, an illustration of their collective recovery is perhaps best illustrated in this way:

From the December 24, 2018 low of 21,792 to the March 29, 2019 close at 25,929, the Dow Jones Industrial Average returned 19%, a welcome relief to those that stayed the course. Overall for the first quarter, the returns were 11.8% for the Dow Jones Industrial Average, 13.65% for the S&P 500 Index, and 16.81% for the NASDAQ.

While those returns in the first quarter were healthy, they only served as a partial unwind of what was the worst December since 1931. Most stock market professionals know that there’s a certain amount of

“information” that can be gleaned from big moves in the stock market. In fact, one of the most commonly followed and reported economic indicators, the LEI (Leading Economic Indicators), even has a component dedicated to measuring changes in stock prices. The significant weakness in the 4th quarter shouldn’t be ignored, but the question is, *If stocks have rebounded since then, is the message of economic weakness the market was sending, overridden and gone now?* Probably not. In fact, earnings broadly were weak in Q4. Company guidance, which refers to information that a company provides as an indication or estimate of future earnings, was generally lower and weaker than it has been for many years. The expectations for global earnings growth has indeed dropped and breaking trend from an expected 10% for 2019, to just under 5% now. Sounds like “the market” and stock prices got that part right, but perhaps earnings cuts weren’t as bad as some thought they might be, hence the rebound in 1Q19

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prices. With lowered expectations of growth seemingly better accounted for in the stock prices generally, investors should “feel” a little better now, but be alert to several poorly trending economic indicators.

With investing being global in nature, China, a significant contributor to growth for the world, continues to decelerate at an alarming pace. Although The Peoples Bank of China doesn’t have a single primary monetary policy tool like the U.S Federal Reserve, it uses multiple methods to control money supply and interest rates. Many are holding out hope that the now 72 stimulative actions taken by China’s central bank will turn their economy around.

Europe is still a struggling region but has somewhat rebounded, from aggressive moves through their European Central Bank. Their moves, since the financial crisis in 2008 and again in 2012, are not too different than those taken in the US in 2008.

Keep in mind the European region contributes roughly 15% to US company earnings.

One other indicator we are watching, the global PMI’s (Purchasing Managers Index), which is an indicator of economic health for manufacturing and service sectors, has dropped for a startling 11th consecutive time in March...the only time having a worse reading was in 2008.

Putting all this together, lowered earnings expectations, struggling regions like China and Europe and generally declining forward indicators like the LEI, PMI’s and others, equity investors should be cautious but hopeful, as much of this has already been accounted for in the stock prices. **M**



Chris Guinther is a Portfolio Manager

*2019 stock prices are off to the best start in over 25 years. While returns in the first quarter were healthy, they only served as a partial unwind of what was the worst December since 1931*

### CHECK OUT MONTAG’S ACTIVE BLOG – [www.montagwealth.com](http://www.montagwealth.com)

MONTAG’s prolific Investment Team makes regular posts to the firm’s Blog, found on its website under the **RESOURCES** tab. The two most recent entries are:

DATE	AUTHOR	BLOG TITLE
March 7, 2019	Brendan Wagner	<b>“Know What You Own and Why You Own It”</b>
March 21, 2019	Steve Whittington, CFA	<b>“March Madness – What a Bracket Can Teach Us About Probability”</b>

### A NEAT AND TIDY LEGACY – *Rebecca Godbey Cummings, Esq.*

Have you seen the new Netflix series starring Marie Kondo, author of the best-selling book, *The Life Changing Magic of Tidying Up*? Her book and her new show preach tidying as a way to have more joy in our lives. Who does not want more joy and less clutter?

Though less well-known, my favorite book about paring down possessions is *The Gentle Art of Swedish Death Cleaning* by Margareta Magnusson. The Swedish grandmother is far from gentle when she writes, “Some people can’t wrap their heads around death. And these people leave a mess after them. Did they think they were immortal?”

As an estate law lawyer, I constantly listen to people complain about cleaning out their parents’ homes and then swear that they will not leave a similar mess for their own chil-

dren. But many of them do. So why do we have so much trouble heeding this advice about getting rid of clutter—even when we are promised that it will be gentle, and that it will bring us joy?

I myself struggled through the tidying programs described in these books last summer as I prepared for a presentation on this topic. I was stuck in tidying purgatory – that place where you have pulled everything off shelves and out of closets and then lose the drive to finish the project and decide to go out for pizza instead. I finally realized that although both books do a wonderful job describing the peace of mind that comes from adopting the carefully curated tidying methods, I was stuck because the books do not address the emotional objections that I had to large-

*Rebecca Godbey Cummings, Esq. uses 2 popular books about tidying up as a springboard for a deeper discussion on end-of-life planning. She has a unique perspective given her extensive estate law work with families, and we thank her for sharing these thoughts.*

## DID YOU KNOW?

*“Stand your ground. Don’t fire unless fired upon, but if they mean to have a war let it begin here.”* Who spoke these words, where, and when?

- A. Commander James Bowie, The Alamo, Texas territory, February 23, 1836
- B. Captain John Paarker, Lexington Green, MA, April 19, 1775
- C. Captain Oliver Perry, Battle of Lake Erie, June 18, 1812
- D. Prime Minister Paul Reynaud, Maginot Line France, May 10, 1940

*(Answer on Page 4)*

scale purging and organizing. I identified four common mindsets that must be changed to be successful at tidying up or death cleaning.

First, if you are like me, you probably think “I hate waste. This object might be useful to me so I do not want to throw it away.” The key words are “might” and “me”; but what about other people who can certainly make use of the object right now? Getting rid of something does not necessarily mean a landfill. I am always surprised at how quickly free items are claimed on the neighborhood app Next Door. It is not a waste if the object goes out into the world where it is useful to someone else.

How many of us have items in our house that belonged to a beloved family member, but don’t spark joy for us? You may feel, “If I throw away this item, I am throwing away my father.” The good news is that your father is not an ugly lamp, a coin collection, or photos of unidentified relatives from 1902. Take a photo (if you must) and get rid of the items that you do not love-- sell, donate, or trash! Then, frame a picture of a great memory with your father

or display something that belonged to your dad that does spark joy for you.

Most of us have objects we purchased or collected for hobbies we plan to adopt—or that we once enjoyed but have not participated in for many years. “I am going to ... exercise, play golf, ski, read The New Yorker, host dinner parties, learn calligraphy...” All of these aspirational items make us feel guilty every time we see the objects associated with them. Guilt is the opposite of joy! Keep only the items for hobbies and habits you already have or are starting today.

Finally, we are all short on time and we may think “I will get to this someday...” as we step over a box of random stuff every night on the way to our easy chair. Speaking directly to her readers, the Swedish grandma says “Do not ever imagine that anyone will wish- or be able- to schedule time off to take care of what you didn’t bother to take care of yourself.” **M**



Rebecca Godbey Cummings, Esq. has an estate planning practice in Atlanta, GA

## AROUND THE RESEARCH TABLE



MONTAG Portfolio Managers continue to debate stocks, the economy and other recurring themes that may impact clients’ investments. Here are a few of the highlights for Q1:

- ⇒ Concerns with a slowing economy and generally falling economic indicators like the LEI (Leading Economic Indicators) and corporate earnings.
- ⇒ Earnings expectations for the average company in the US have been reduced for 2019 and stock prices had adjusted for these lower earnings in Q4’18. With stocks moving significantly higher in Q1’19, do stock prices now represent an unrealistic earnings trend that there is little evidence of?
- ⇒ International markets have become much more correlated with US markets the past 15 years as most developed economies opened up their trade policies. The diversification argument that has supported international security allocations made by most institutional investors and global consultants needs to be reexamined.
- ⇒ With the governments actions of economic stimulation in China, along with Europe pushing out their tightening actions and the U.S. Fed’s decision to not hike rates until some time in 2020, will it be enough to stabilize most developed economies and push them higher by late 2019.
- ⇒ Interest rates have retreated back to the lower levels seen in Q4’18 giving investors less ability to produce income from their investments. The good news is with inflation being historically low the return over inflation is still positive and in line with prior decades. **M**



## A NUMBERS GAME

"1976" "5000" "100" "1982" "1993" "2002" "2019" "4789" "1800" "8000"

Do these numbers mean anything to you? Probably not, but for some perspective:

- In **1976** there were **5,000** stock issues available for investing and only **100** mutual funds in existence
- in **1982**, A. Montag and Associates was founded by Tony Montag
- In **1993**, the first Exchange Traded Fund (ETF) began trading
- By **2002**, the number of stocks and mutual funds reached **8,000** each along with **102** ETF's. This year also happening to be the be peak for the number of listed stocks on the NYSE, AMEX and NASDAQ.
- For **2019** there are **4,789** listed stocks, **1,800** Exchange traded funds and **8,000** Mutual Funds.

What does this all mean? Well, buried in these factoids are two trends. First, the number of individual stocks increased for several years, only to see that momentum reversed to a low in 2019. And second, *investment choices change*. The rise of other investment products (mutual funds and especially ETFs) changed investment options and behaviors tremendously to the point that we now have twice as many products as publicly available stocks!

All this comes into play when thinking about building portfolios. We must stay diligent and modify strategies to both understand what risks exist as well as take advantage of these changing opportunity sets. As change is the only constant in life, MONTAG will continue to evolve and do the research and analysis necessary to find the most compelling opportunities to help clients achieve their goals. We look forward to continuing the journey with you. **M**

Sources: Ned Davis Research, Inc. FactSet Research Systems, Inc. and topforeignstocks.com



## UPCOMING EVENTS:

### FACTS & FINANCES FOR WOMEN –Wednesday, April 17 (9:30am – 1:00pm)

Since 1985, MONTAG has hosted a semi-annual seminar designed to be informative and actionable. We select speakers to present on timely topics from the non-profit community, estate and legal sensitivities, tax issues, healthcare, insurance, and – of course – investments. Be on the lookout for more information in the coming days, or feel free to contact us for details.

### EXECUTIVE BREAKFAST SERIES—Tuesday, June 4 (7:30am – 9:30am)

MONTAG hosts the next in our series of breakfasts, with a timely presentation by one of our Portfolio Managers. This series is designed for those who want a deeper dive into investment themes being discussed around the MONTAG research table. We hope you'll join us.

## DID YOU KNOW? (from page 3)

**Answer: B. Captain John Paarker, Lexington Green, Massachusetts Colony, April 19, 1775**

Residents in the village of Lexington, west of Boston, had been preparing for a fight they thought was imminent. They had accumulated powder and shot during the winter. On the evening of April 18, 1775, many of Captain John Paarker's militiamen gathered in a local tavern to await word about the movement of British soldiers. Confirmation of the British advance was delivered to Lexington by Paul Revere. In the early morning hours of April 19 the "Minutemen", so called because of their pledge to be ready "at a minute's notice", gathered on the village green.

*"Stand your ground. Don't fire unless fired upon, but if they mean to have a war let it begin here."*

Shortly after dawn, so began the War for Independence to be known as the American Revolution. **M**

## A PARTING THOUGHT

**"Courage is doing what you're afraid to do. There can be no courage unless you're scared."**

- Eddie Rickenbacker (1890-1973)

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