



## Memo on the Market from the Altavista Advisors: February 6, 2018

We are taking this opportunity to summarize our thoughts on the market's decline over the past few trading sessions. As a preview, the sharp decline is likely a way station on the path to a healthier market and not the beginning of a secular decline. The extraordinary calm of the past year in markets may have dulled some investors' sensitivity to the risks inherent in the stock market. If so, they are now aware that stock markets move in both directions.

It seems the sell-off was sparked as the Labor Department reported a 2.9% year over year gain in wages, the strongest since the financial crisis, triggering inflation concerns. The market's reaction is based on the belief that if wages rise too fast the Federal Reserve will hike interest rates, perhaps at a faster clip than previously indicated. The end of low rates puts a damper on corporate profits and higher bond yields attract investors who had previously abandoned bonds in favor of stocks. The transition of the Fed Chair position from Yellen to Powell only helped to fuel the uncertainty.

If the U.S. were on the cusp of accelerating inflation such a reaction may be rational. Economic readings appear to be robust and earnings on the S&P 500 seem set for a continued rise in early 2018. It is difficult to be a pessimist under these otherwise positive conditions. The case for accelerating inflation is weak outside of the wage report. As early 2018 unfolds, a better outlook for earnings and the economy will be the predominant influences. Therefore, we see no reason to change strategy based on the past few market sessions. As ever, we will look critically at new information and are prepared to take risk off the table if such a move is warranted. Right now, we believe a steady approach is required.

Please call or write with any questions or concerns: 866-684-2600 or [team@altavistawealth.com](mailto:team@altavistawealth.com).

A collection of six handwritten signatures in black ink, arranged in a loose, overlapping cluster. The signatures are: Dan (top left), Jon (middle left), Jeff (middle left), Kyle (middle right), Logan (top right), and Jacqui (bottom right).