



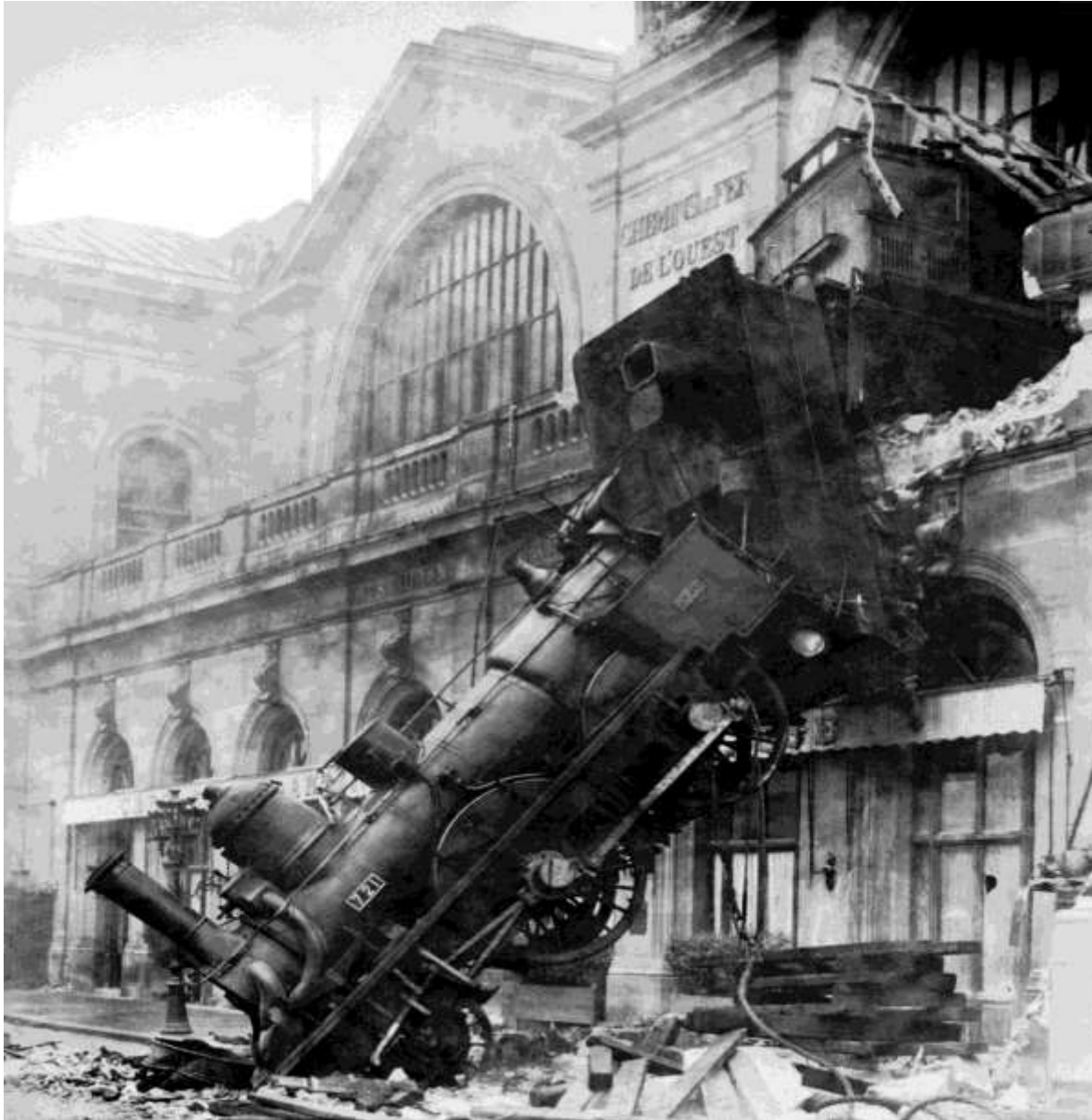
AVOID THE TRAIN WRECK!: 2019 FINANCIAL MARKETS OUTLOOK

Presented By

**Louis P. Stanasolovich, CFP[®], CEO and President
Legend Financial Advisors, Inc.[®]**

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ARE WE HEADED FOR A TRAIN WRECK?



LOU STANASOLOVICH, CFP[®], CEO & PRESIDENT



Lou is founder, CCO, CEO and President of Legend Financial Advisors, Inc.[®] and EmergingWealth Investment Management, Inc.[®]

Legend's founder, Lou was selected by Financial Planning magazine as part of their inaugural Influencer Awards for the Wealth Creator Award recognizing the advisor who has made the most significant contributions to best practices for portfolio management.

He is one of only four advisors nationwide to be selected 12 consecutive times by *Worth* magazine as one of "The Top 100 Wealth Advisors" in the country.

Lou has also been selected 13 times by *Medical Economics* magazine as one of "The 150 Best Financial Advisors for Doctors in America"

Lou has been selected five times by *Dental Products Report* as one of "The Best Financial Advisors for Dentists in America."

He has twice been named one of "The 100 Great Financial Planners in America" by *Mutual Funds* magazine.

Lou has been named three times to *Investment Advisor* magazine's "IA 25" list, ranking the 25 most influential people in and around the financial advisory profession.

Lou was profiled in *Financial Planning* magazine as one of the country's "Movers & Shakers" recognizing the top individuals who have done the most to advance the financial advisory profession.

Lou has also been selected three times by *Pittsburgh Magazine* as one of the Pittsburgh area's FIVE STAR Wealth Managers, a list that represents the most elite financial advisors in Pittsburgh.

With over 30 years advising clients, he has shared his financial planning and investment management expertise through dozens of speeches, radio and television broadcasts, webcasts, and hundreds of times as an interviewee, writer and publisher.

IMPACTFUL FACTORS ON THE FINANCIAL MARKETS

- I. Rising Interest Rates**
- II. Tariffs**
- III. The Government Shutdown**
- IV. A Slowing/Recessionary Global Economy**
- V. A Slowing U.S. Economy**
- VI. The Rising U.S. Dollar**
- VII. A U.S. Recession**
- VIII. BREXIT**

THE FED

FED WATCH

INTEREST RATES AS OF DECEMBER 31, 2018

Fed Funds Rate Range:

2.00 – 2.25%

Fed Discount Rate:

2.75%

2019 UPCOMING FED MEETING SCHEDULE

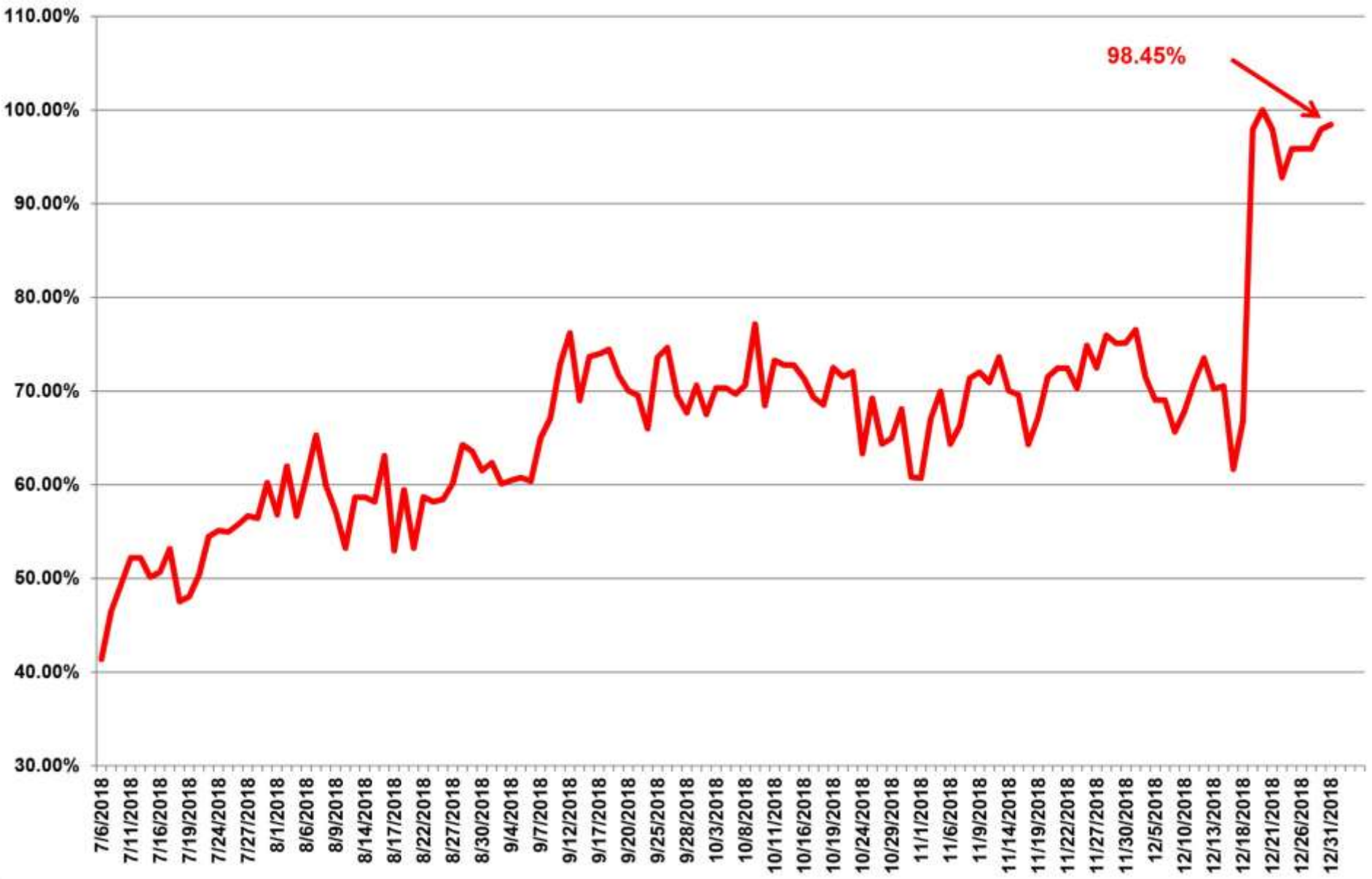
January	30-31	June	12-13	November	7-8
March	20-21	Jul/Aug	31-1	December	18-19
May	1-2	September	25-26		

Source: Bloomberg Investment Services

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PROBABILITY OF NO JANUARY, 2019 FED RATE HIKE



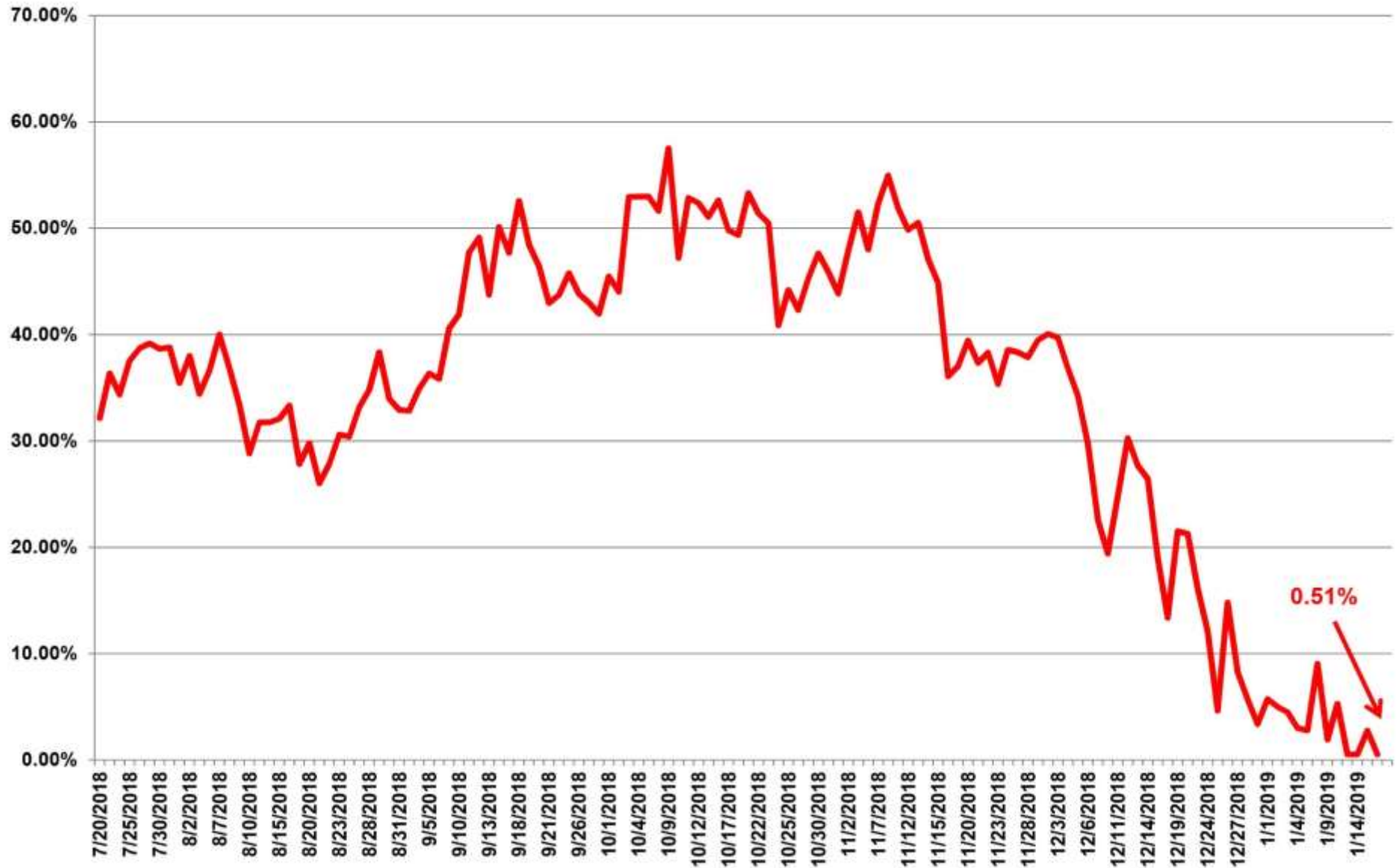
Source: Bloomberg Investment Services

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As of: December 31, 2018

PROBABILITY OF MARCH, 2019 FED RATE HIKE



Source: Bloomberg Investment Services

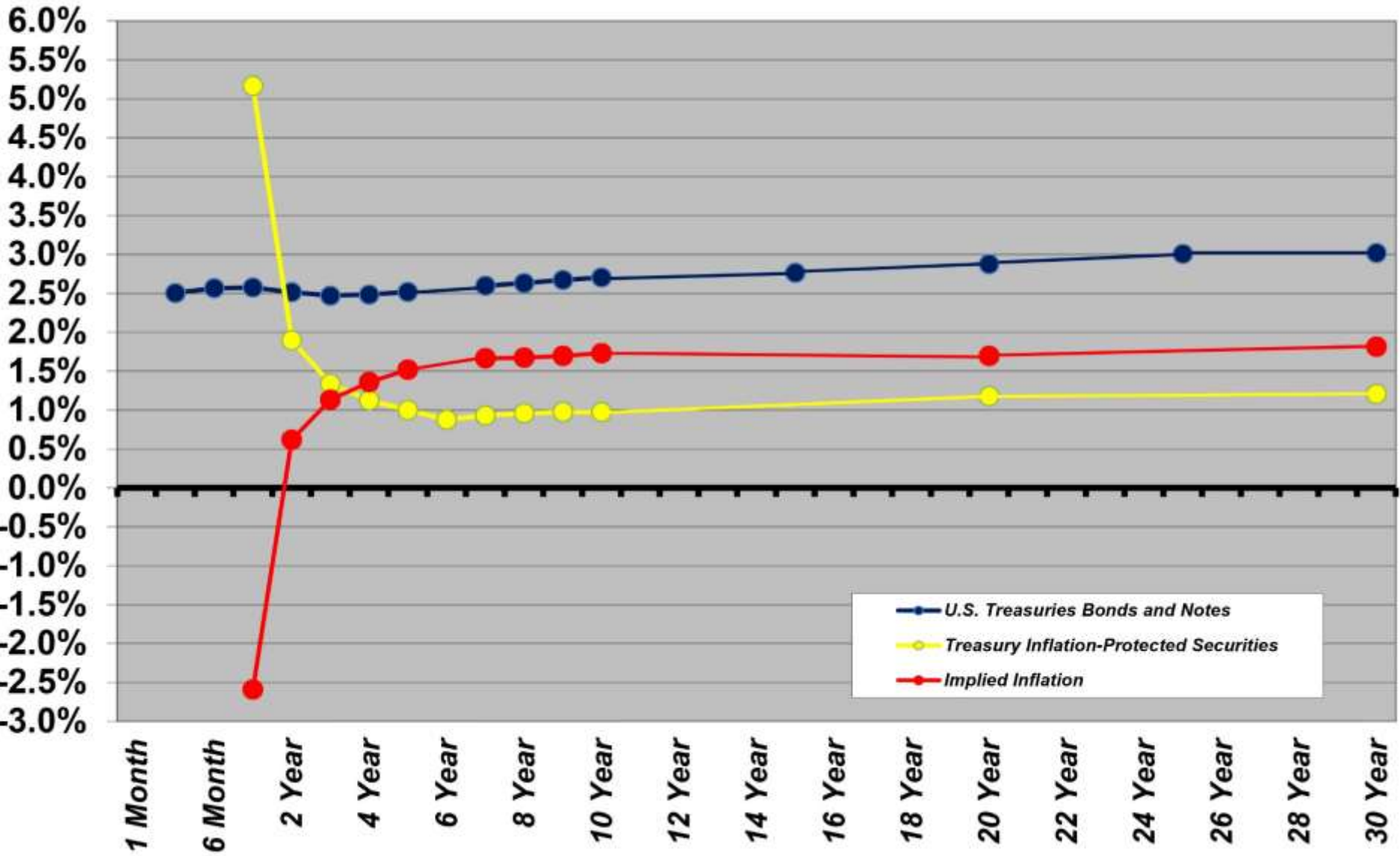
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As of: January 15, 2018

INFLATION OUTLOOK

U.S. LONG TERM IMPLIED INFLATION RATE IS NOW BELOW 2.0%



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As of: December 31, 2018

DEBT INVESTMENTS

BOND BEAR MARKET RETURNS (1946 - 1981)

Year	Lt. Govt. Tot. Ret.		Year	Lt. Govt. Tot. Ret.
1946	-0.09		1966	3.65
1947	-2.63		1967	-9.19
1948	3.39		1968	-0.26
1949	6.44		1969	-5.07
1950	0.05		1970	12.10
1951	-3.94		1971	13.24
1952	1.16		1972	5.67
1953	3.63		1973	-1.10
1954	7.18		1974	4.35
1955	-1.28		1975	9.19
1956	-5.58		1976	16.76
1957	7.47		1977	-0.65
1958	-6.11		1978	-1.18
1959	-2.28		1979	-1.21
1960	13.79		1980	-3.96
1961	0.96		1981	1.86
1962	6.88			
1963	1.21			
1964	3.51			
1965	0.70			
			Mean	2.18
			Median	1.06
			# of Down Years	15
			Mean (1966-1981)	3.31
Mean (1946-1965)	1.71			

Legend Comment::
 We could possibly have total returns over the next 20 years for bonds similar to the mean (compounded) total returns from 1946 to 1965, referenced on this chart, should interest rates rise even a little during that time.

TOTAL RETURN LOSSES OF 5.0% OR MORE IN U.S. 10-YEAR TREASURY BONDS. 1950 TO-DATE

Date of Total Return High	Date of Total Return Low	Loss (%)	Duration (Mos.)
July 31, 1954	July 31, 1957	-6.3	36
April 30, 1958	September 30, 1959	-7.8	17
March 31, 1967	November 30, 1967	-6.0	8
August 30, 1968	December 31, 1969	-9.1	16
February 28, 1970	May 31, 1970	-5.5	3
March 31, 1971	July 31, 1971	-7.3	4
June 30, 1979	February 27, 1980	-15.8	8
June 29, 1980	September 30, 1981	-14.6	15
April 30, 1983	August 31, 1983	-6.0	4
January 30, 1984	May 30, 1984	-8.0	4
February 28, 1987	September 30, 1987	-10.5	7
October 31, 1993	November 30, 1994	-10.2	13
January 30, 1996	May 30, 1996	-6.9	4
September 30, 1998	January 31, 2000	-9.0	16
October 31, 2001	March 29, 2002	-6.4	5
May 30, 2003	July 31, 2003	-8.1	2
March 31, 2004	May 28, 2004	-5.6	2
August 31, 2005	April 28, 2006	-5.3	8
December 31, 2008	December 31, 2009	-9.5	12
August 31, 2010	January 31, 2011	-6.9	5
July 31, 2012	December 31, 2013	-10.1	17
July 29, 2016	February 28, 2018	-7.0	14
	Average:	-8.3	10
	Median:	-7.6	8

FIXED INCOME CHARACTERISTICS AND PERFORMANCE ANALYSIS

Averages

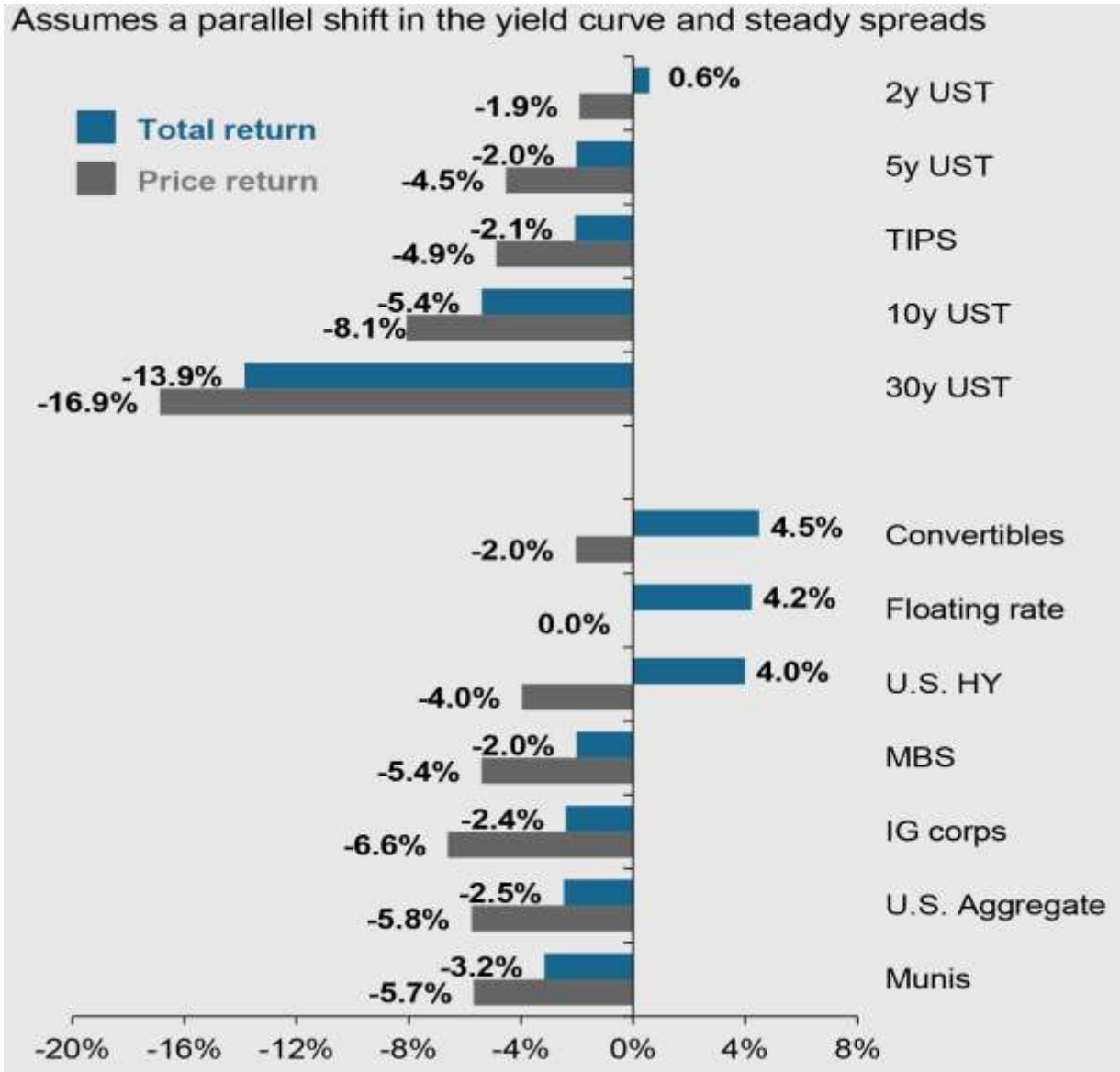
Index	Coupon (%)	Price (\$)	Yield to Worst (%)	Spread (bps)	Maturity (yrs.)	Duration (yrs.)
Bloomberg Barclays U.S. Aggregate Index	3.20	100.1	3.28	54	8.2	5.9
U.S. Treasury	2.38	99.8	2.61	-	7.6	6.1
U.S. Agency	2.77	103.1	2.75	16	5.2	4.0
U.S. Mortgage Backed Securities	3.60	100.9	3.39	35	7.2	4.7
U.S. Asset Backed Securities	2.65	99.6	3.06	53	2.3	2.1
U.S. Commercial Mortgage Backed Securities	3.41	99.8	3.44	86	6.0	5.3
U.S. Corp. Investment Grade	4.01	99.1	4.20	153	10.7	7.1
Bloomberg Barclays Municipal Bond Index	4.68	107.0	2.69	-	13.1	6.2
Bloomberg Barclays Taxable Municipal Bond	5.29	110.7	3.86	-	16.9	8.9
ICE BofAML US Inflation-Linked Treasury Index	0.87	99.7	1.12	-	8.5	5.7
ICE BofAML Preferred Index (Fixed Rate)	5.74	94.8	5.67	242	-	5.9
ICE BofAML US High Yield Index	6.35	92.3	7.95	533	5.8	4.2
S&P / LSTA Leveraged Loan Index	L+3.33	93.8	7.23	551	5.20	-
JPMorgan EM Bond Index (EMBI) Global Diversified	5.95	95.5	6.86	414	-	6.6
JPMorgan Corp. EM Bond Index (CEMBI) Broad Diversified	5.28	97.2	6.14	352	-	4.5
JPMorgan Govt. Bond Index-EM (GBI-EM) Global Diversified	6.24	-	6.46	-	-	5.1
Bloomberg Barclays Global Aggregate Ex-U.S. Index	2.15	109.1	0.92	48	9.4	7.9

As of: December 31, 2018

Source: Barclays Capital, JP Morgan, BofA Merrill Lynch and Standard & Poor's via
Eaton Vance Monthly Market Monitor, January 2019 www.eatonvance.com

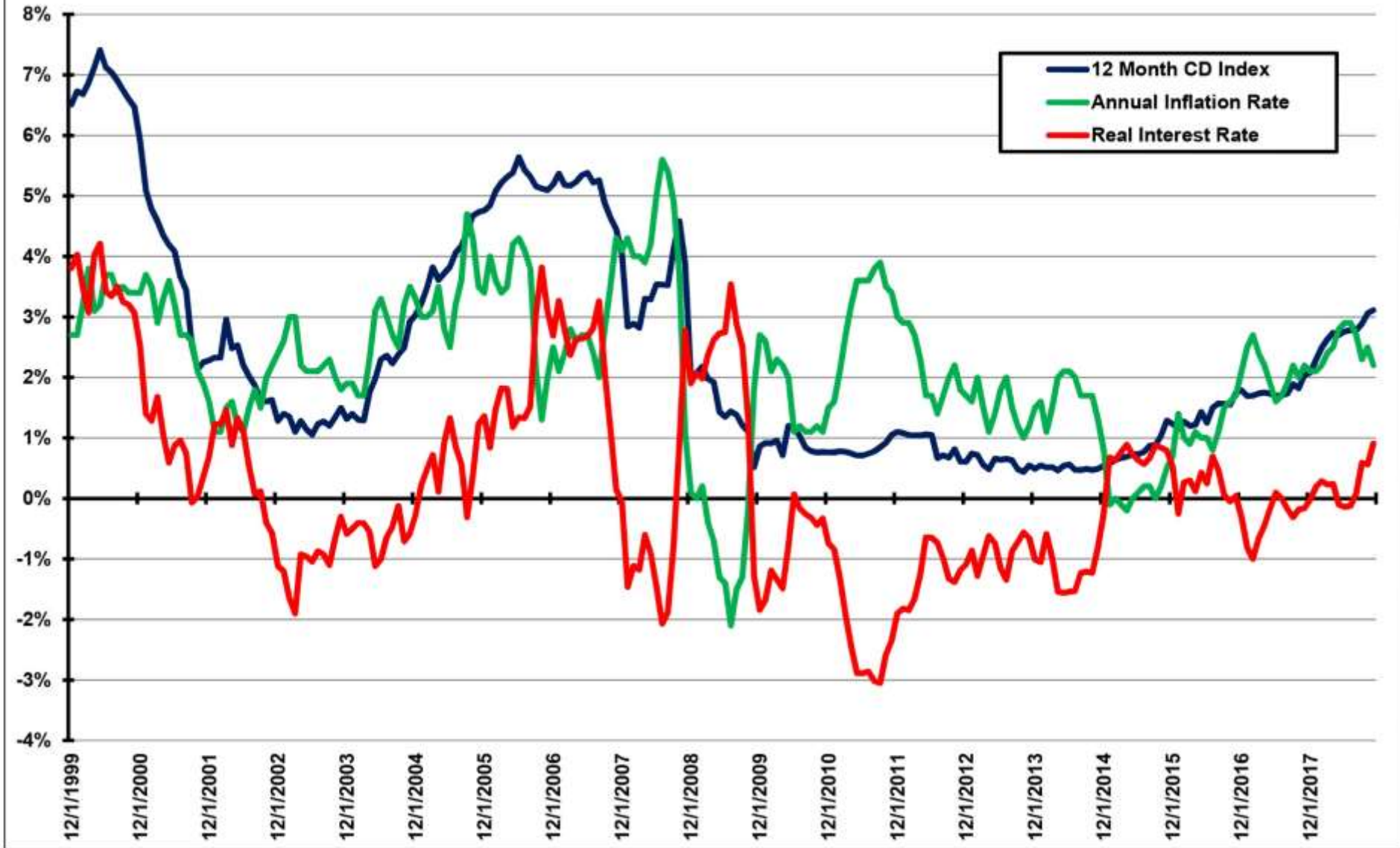
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PRICE IMPACT OF A 1% RISE IN INTEREST RATES



Sectors shown are provided by Barclays and are represented by Broad Market; MBS: U.S. Aggregate Securitized – MBS; Corporate: U.S. Corporates; Municipals: Muni Bond 10-year; High Yield: Corporate High Yield; TIPS: Treasury Inflation Protection Securities (TIPS). Floating Rate: FRN (BBB); Convertibles: U.S. Convertibles Composite; ABS: ABS + CMBS. Yield and return information based on bellwethers for Treasury securities. Sector yields reflect yield to worst, while Treasury yields are yield to maturity. Correlations are based on 10-years of monthly returns for all sectors. $\text{Change in Interest Rates}) + (0.5 * \text{Price} * \text{Convexity} * (\text{Change in Interest Rates})^2)$.

REAL INTEREST RATES 12 MONTH CDs VS. INFLATION 1/1/2000 - 11/30/2018

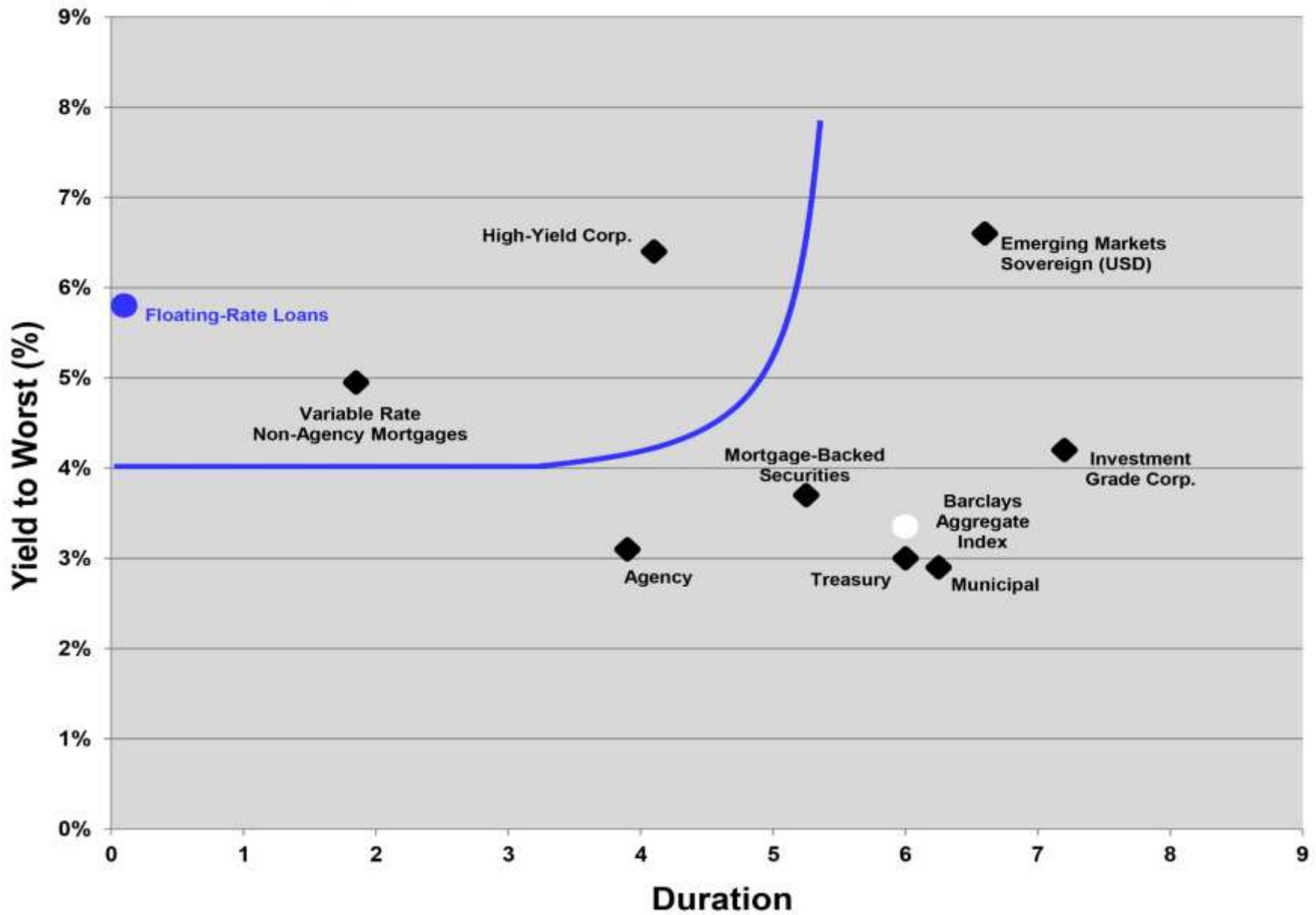


THE CASE FOR FLOATING-RATE LOANS

FLOATING-RATE LOAN PRIMER

- 1. Corporate Debt Issued By Below-Investment-Grade Borrowers**
- 2. Most Issuers Are Significant In Size And Scale – And Many Are Familiar Household Names**
- 3. Companies Undertake Loans For Recapitalizations, Acquisitions And Refinancings**
- 4. Coupon Income From Floating-rate Loans Resets Regularly (About Every 40-60 Days On Average) To Maintain A Fixed Spread Over A Variable Base Rate, Usually Libor**
- 5. Loans Are Often Referred To As “Senior And Secured”: They Typically Have The Highest Priority Of Claims In An Issuer’s Capital Structure And Are Secured By Specific Collateral**
- 6. Other Common Monikers: Bank Loans, Leveraged Loans, Senior Loans (All Are Synonymous)**

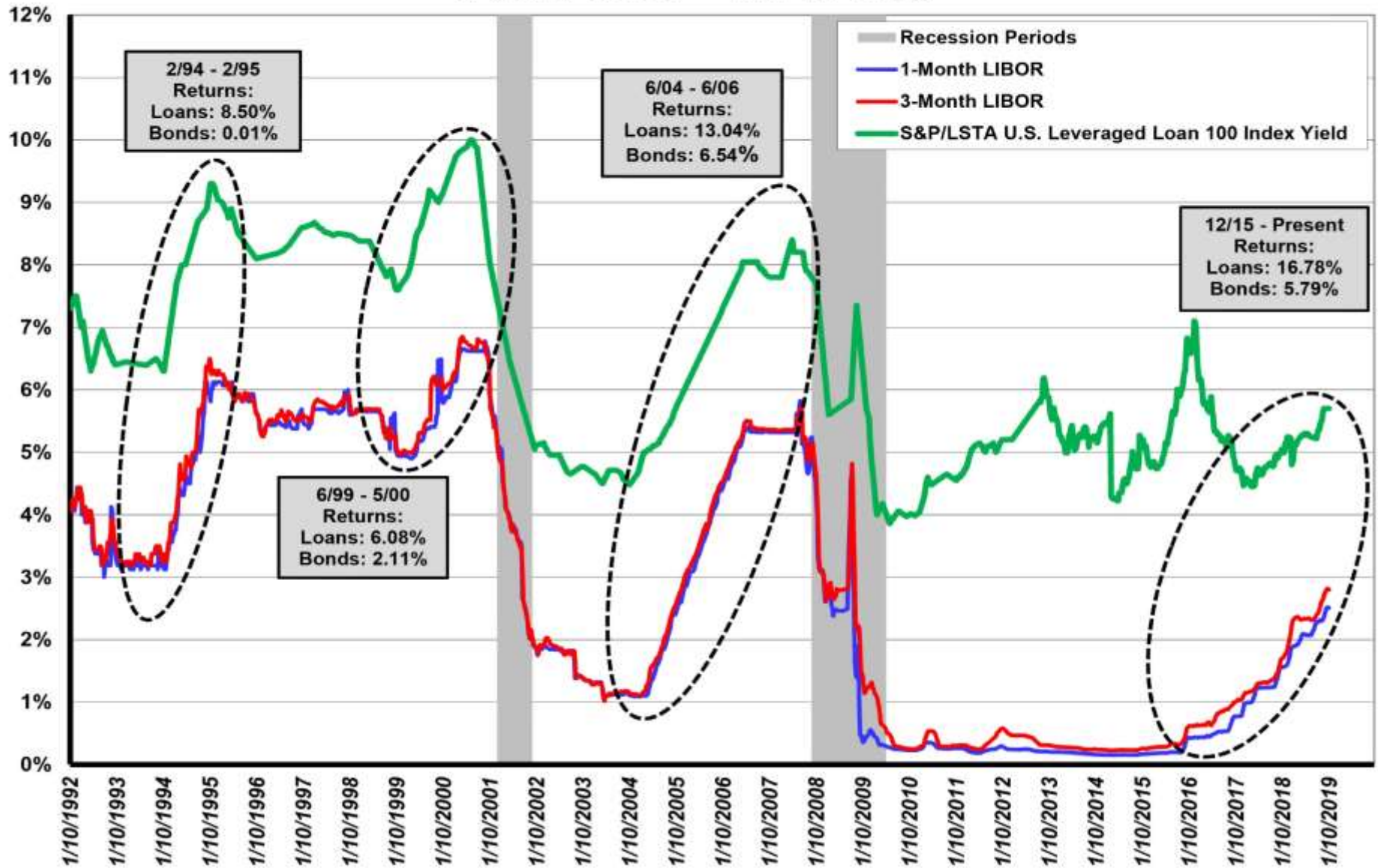
Floating-Rate Loans vs. Select Asset Classes



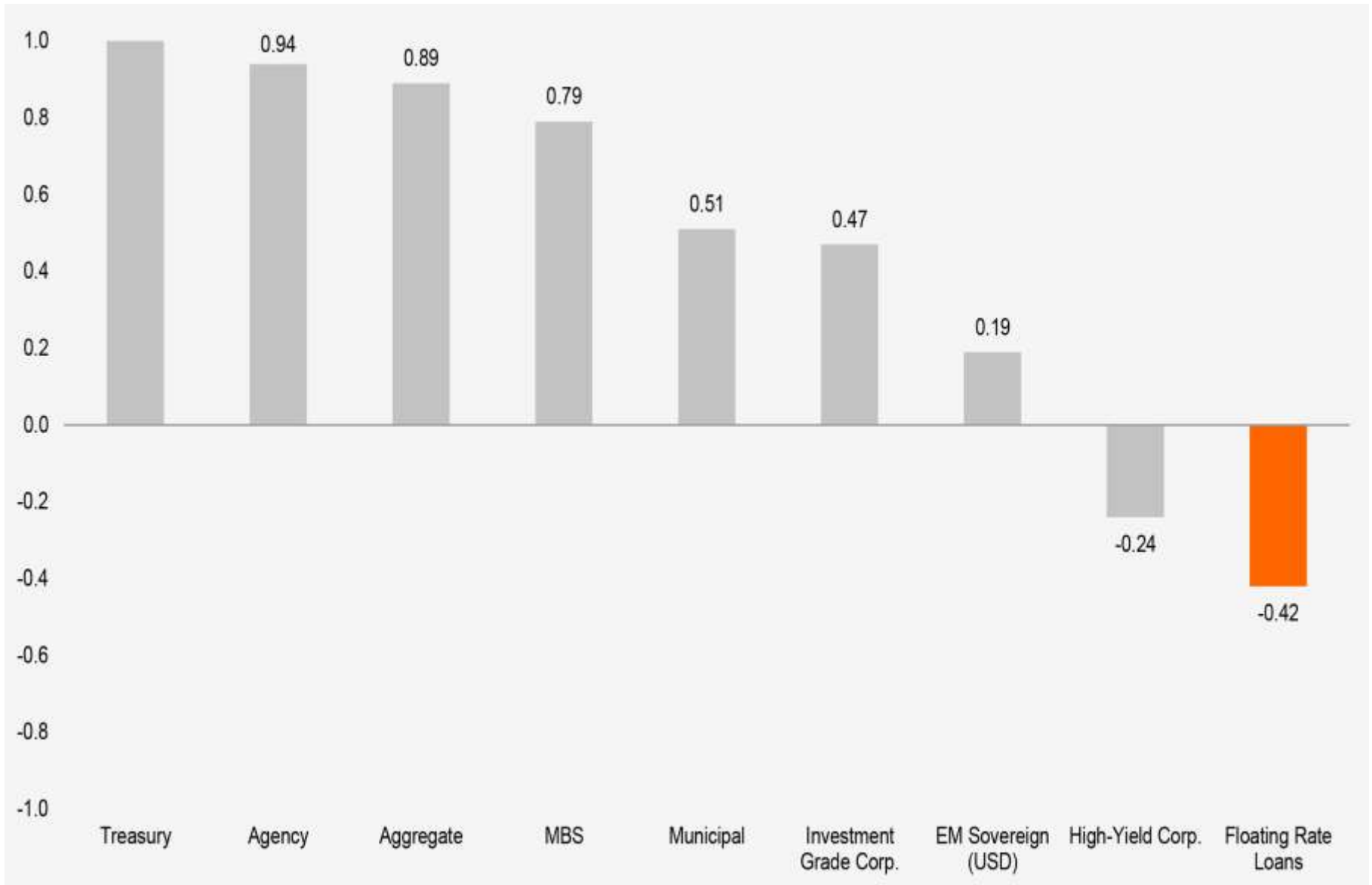
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HISTORICAL LOAN YIELDS AND SHORT-TERM RATES

12/31/1991 - 1/11/2019



10-YEAR CORRELATION WITH U.S. TREASURYS



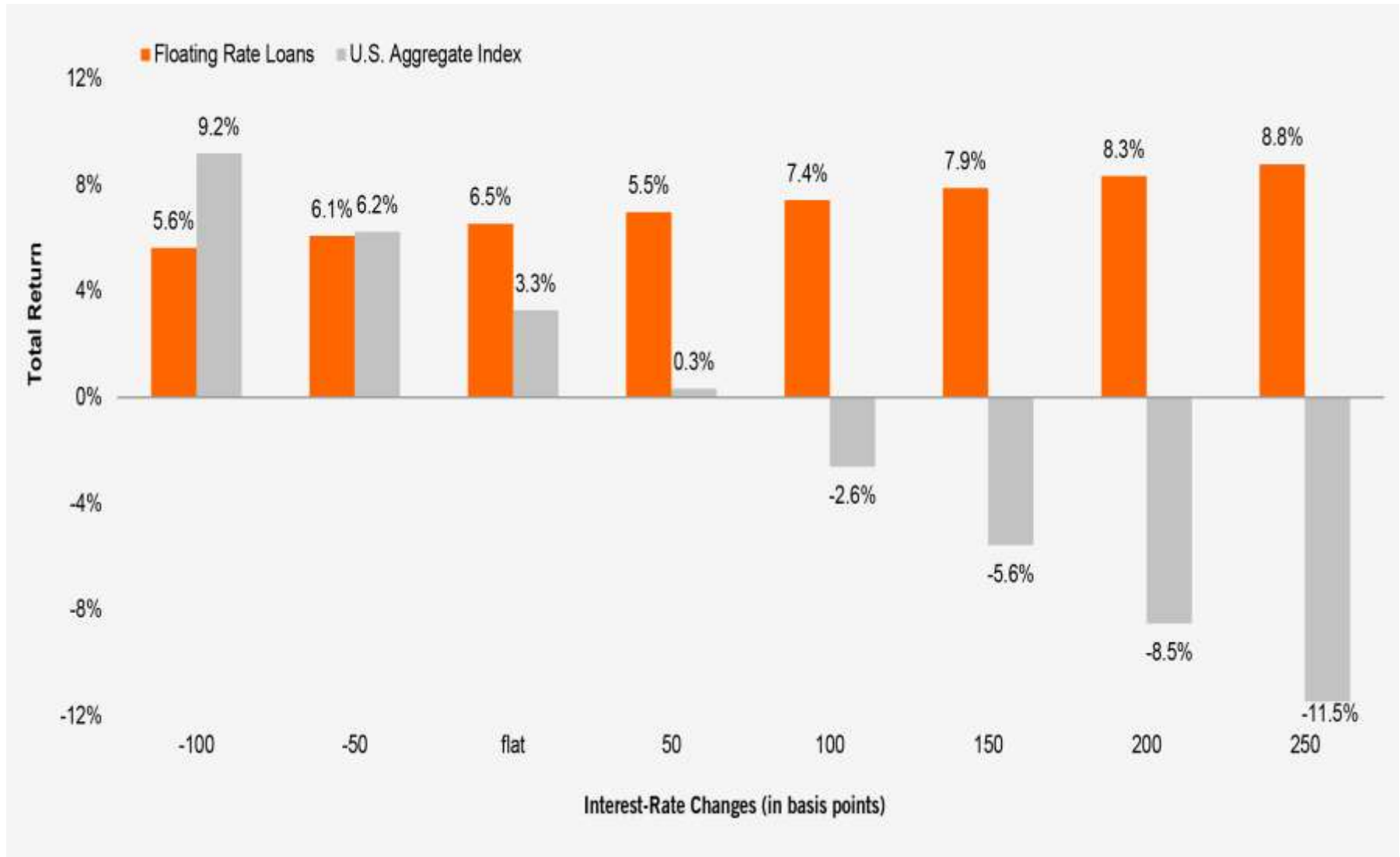
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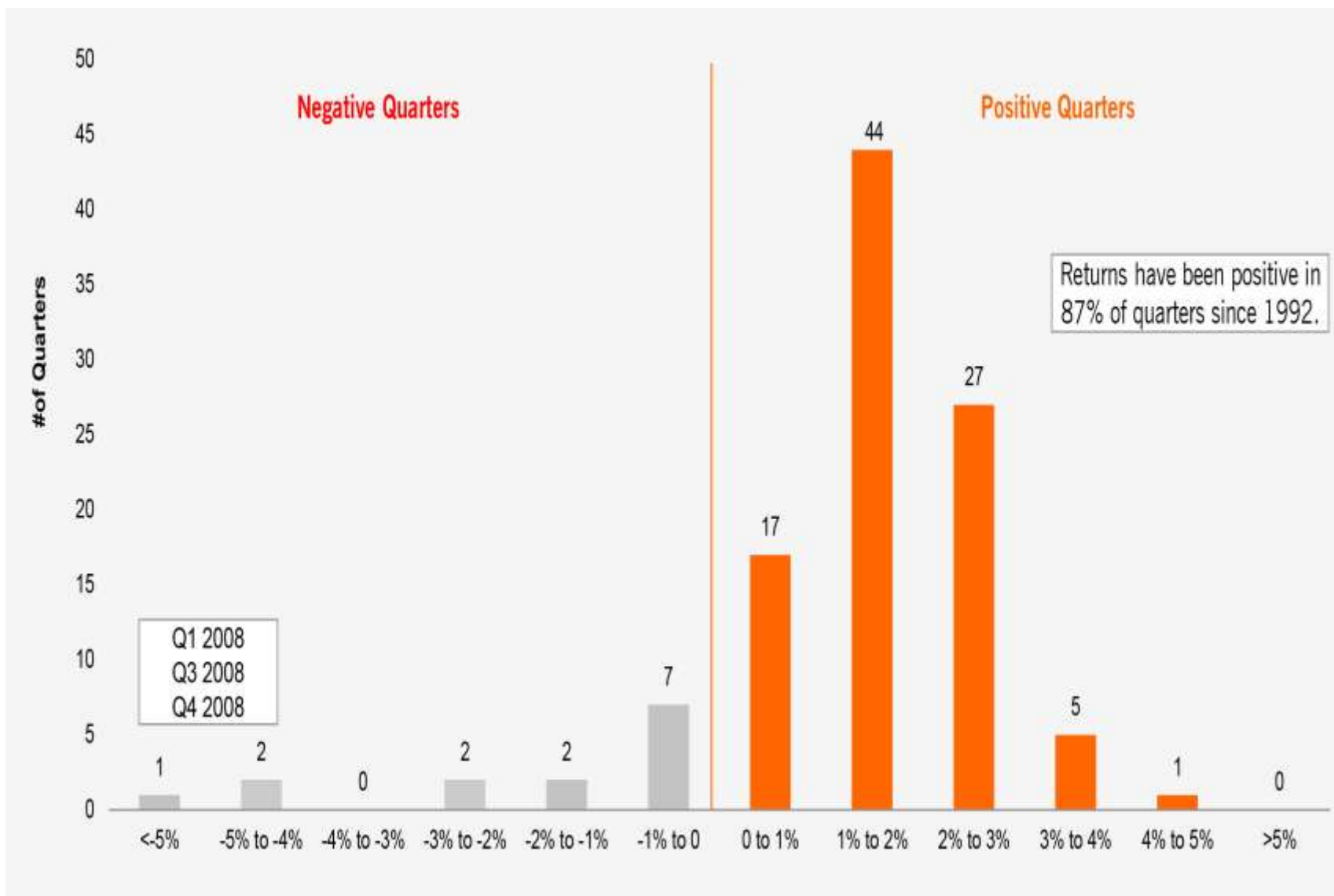
Source: Eaton Vance

Eaton Vance, *Floating-Rate Loan Chart Book Q4 2018*, www.eatonvance.com

LOANS VS. BONDS: HYPOTHETICAL RETURNS IN VARIOUS RATE SCENARIOS



DISTRIBUTION OF ALL QUARTERLY TOTAL RETURNS: Q1 1992 TO Q4 2018



As of: December 31, 2018

Source: Eaton Vance

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Eaton Vance, *Floating-Rate Loan Chart Book Q4 2018*, www.eatonvance.com

RECESSION RISK

ECONOMIC CONTRACTION DEFINITIONS

Recession:	Two or more consecutive quarters of contracting real GDP Of Between 0.0% and 5.0%.
Severe or Deep Recession:	A Recession where real GDP contracts between 5.0% and 10.0%.
Depression:	An Economic Contraction where real GDP contracts between 10.0% And 25.0%
Great Depression:	A Depression with peak-to-trough contraction in real GDP that exceeds 25.0%.

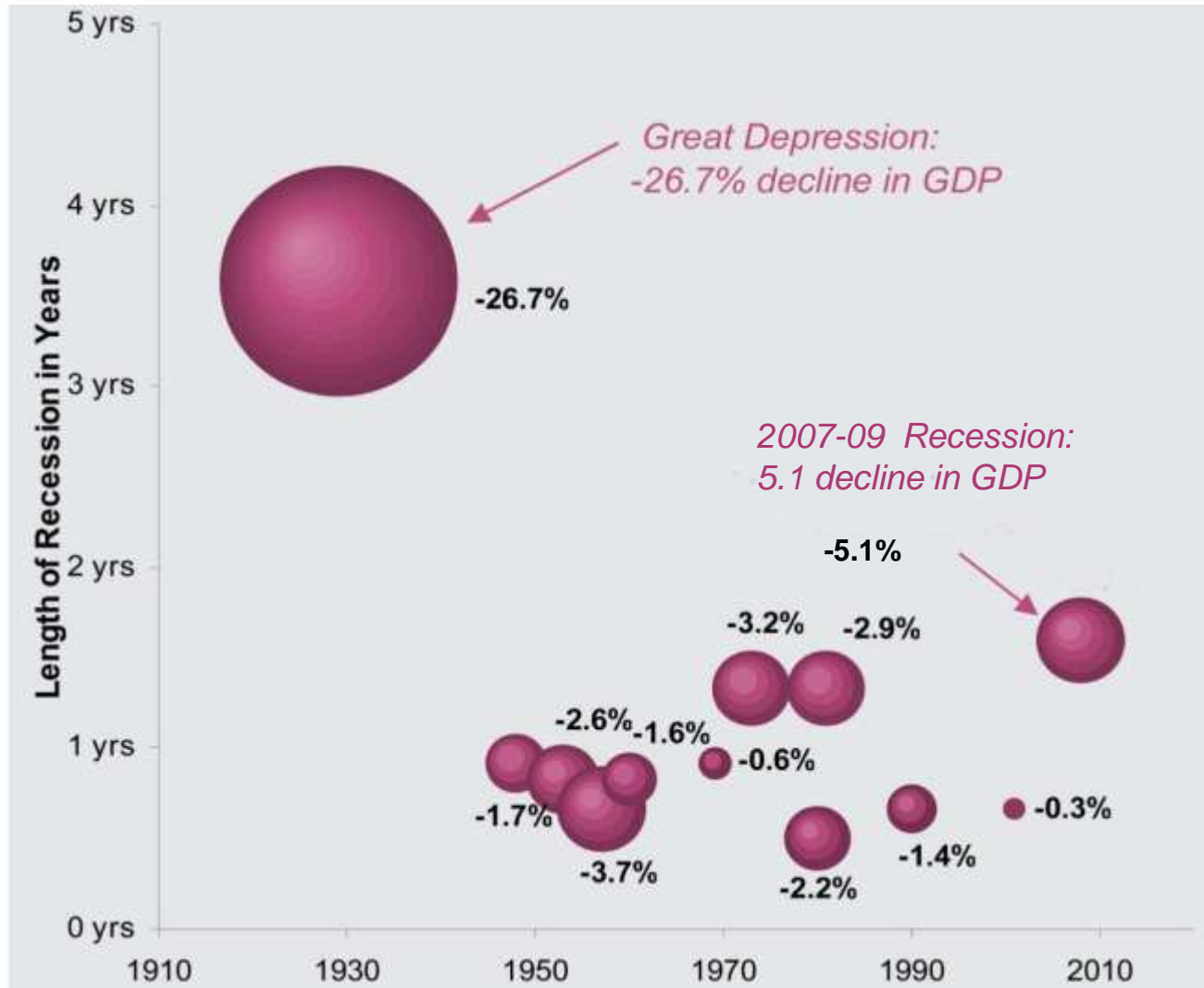
Source: Legend Financial Advisors, Inc.®

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THE GREAT DEPRESSION AND POST-WAR RECESSIONS

LENGTH AND SEVERITY OF RECESSION



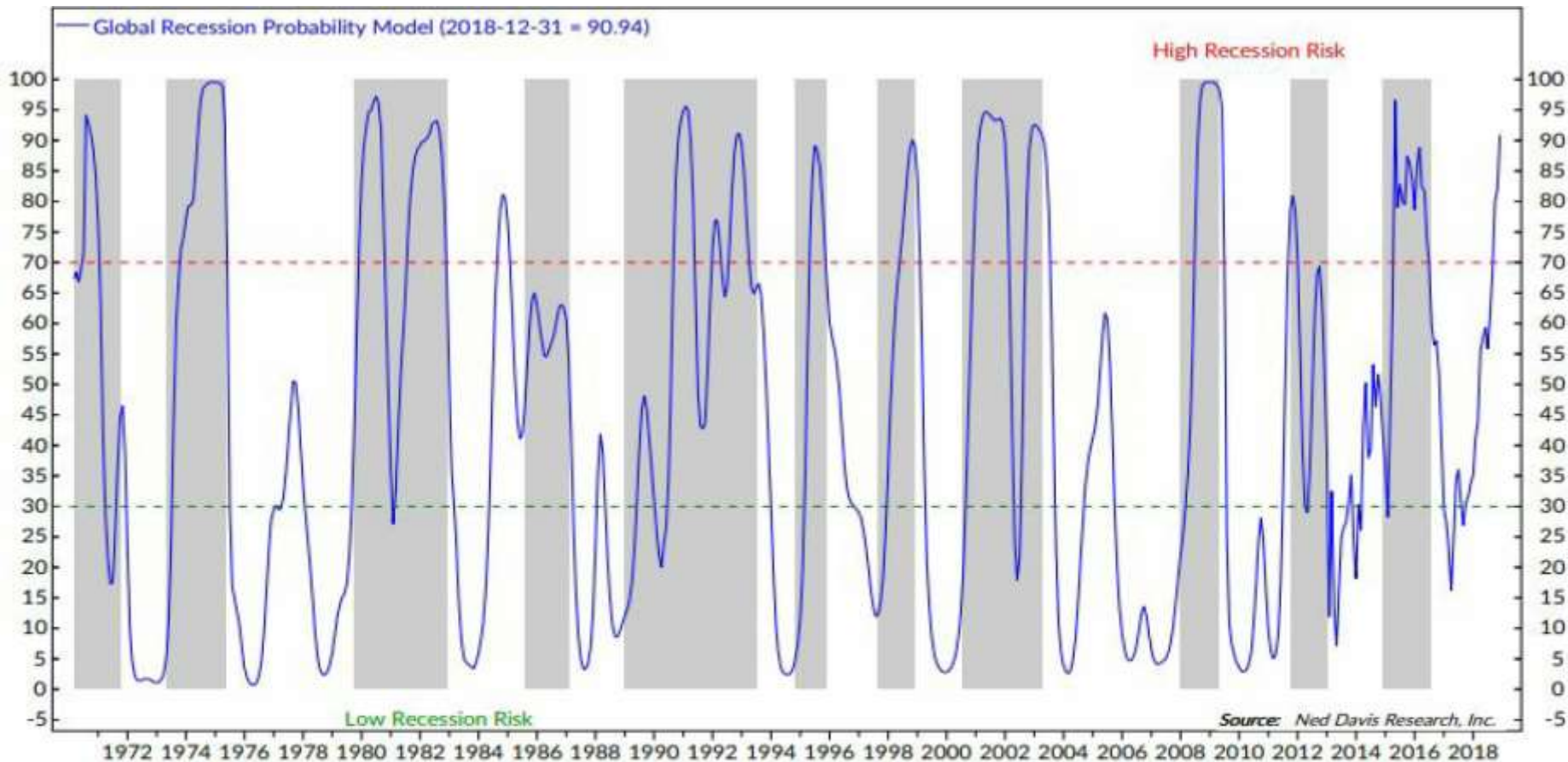
Note: Bubble size reflects the severity of the recession, which is calculated as the decline in real GDP from the peak quarter to the trough quarter except in the case of the Great Depression, where it is calculated from the peak year (1929) to the trough year (1933), due to a lack of available quarterly data.

Source: National Bureau of Economic Research (NBER), BEA, J.P. Morgan Asset Management
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As of: October 9, 2018

GLOBAL RECESSION PROBABILITY MODEL

Monthly Data 3/31/1970 to 12/31/2018

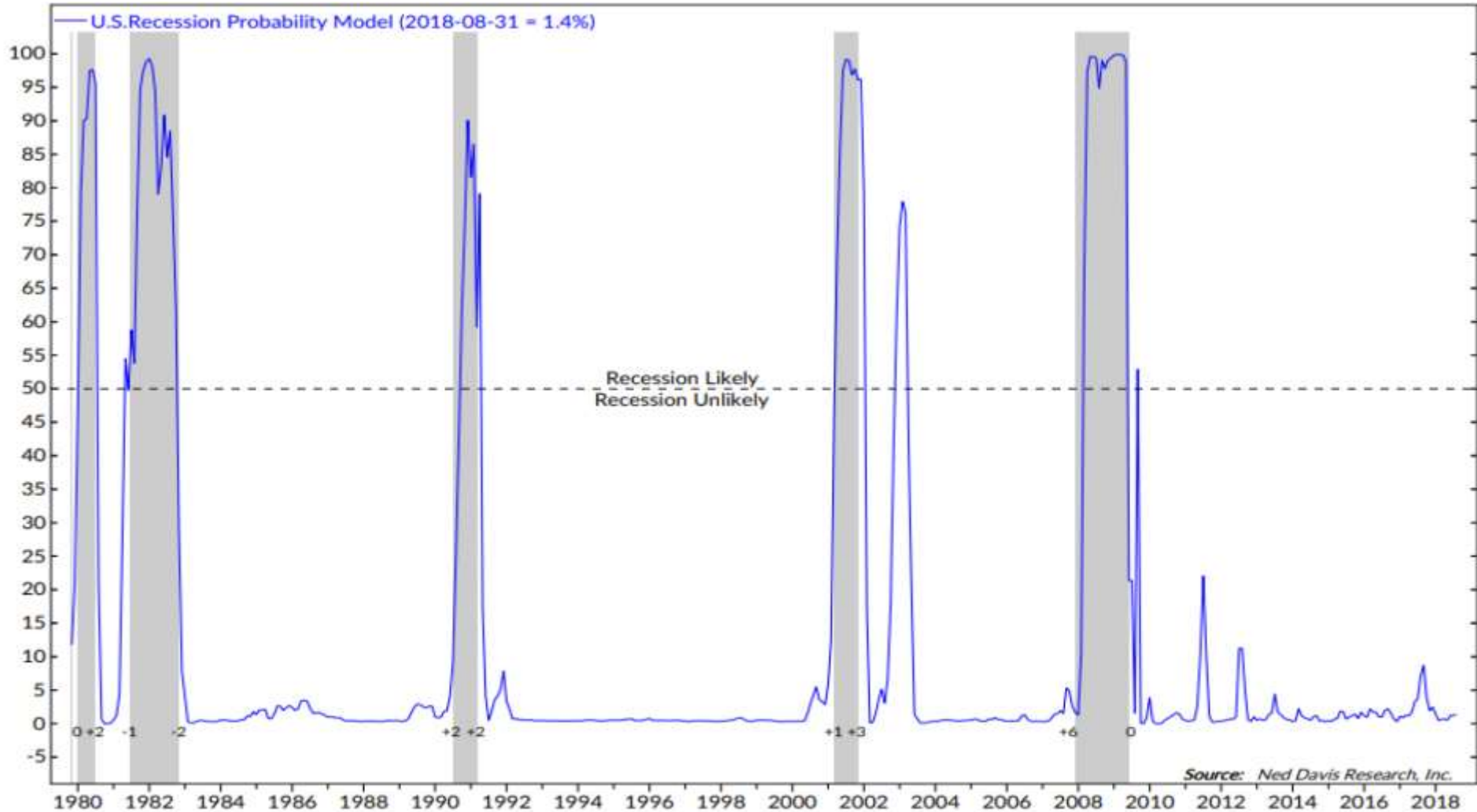


Shaded Areas Represent OECD-Defined Global Recession Periods

Analysis Dates: 1970-03-31 - 2018-12-31		
Probability Model	Actual:	
	Recession (% of Time)	No Recession (% of Time)
Above 70	90.91	9.09
Between 30 and 70	50.25	49.75
Below 30	15.74	84.26

U.S. RECESSION PROBABILITY MODEL BASED ON STATE CONDITIONS

Monthly Data November 30, 1979 to August 31, 2018



Shaded areas represent National Bureau of Economic Research recessions
Numbers indicate length of Leads (-) and Lags (+) in months from reference turning dates (shown above)

FINANCIAL MARKET RETURNS

2018 ANNUAL PERFORMANCE

January 1, 2018 to December 31, 2018
(12 months)

	<u>2018 Annual Return</u>
Consumer Price Index (Inflation)	1.91%
90-Day Treasury Bills Index-Total Return	1.94%
Bloomberg Intermediate Term Corporate Bond Index	0.88%
Barclays Aggregate Bond Index-Total Return	0.01%
High Yield Corporate Bond Index – Total Return	-1.97%
S&P Leveraged Loan Index – Total Return	0.47%
HFRX Global Hedge Fund Index	-6.72%
S&P 500 Index (U.S. Stock Market)	-4.39%
MSCI EAFE Index (Developed Foreign Equities)	-13.32%
MSCI Emerging Market Index (Equities)	-14.49%
Newedge CTA Index (Managed Futures)	-5.84%
Dow Jones–UBS Commodity Index-Total Return (USD)**	-12.99%
Dow Jones U.S. Real Estate Index-Total Return (USD)**	-4.03%
Gold Bullion	-2.14%

As of: December 31, 2018

Compound and Total Returns include reinvested dividends. Newedge Index is equally-weighted.

** USD = U.S. Dollar

Source: Bloomberg Investment Service

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RETURNS AND VALUATIONS BY STYLE

2018

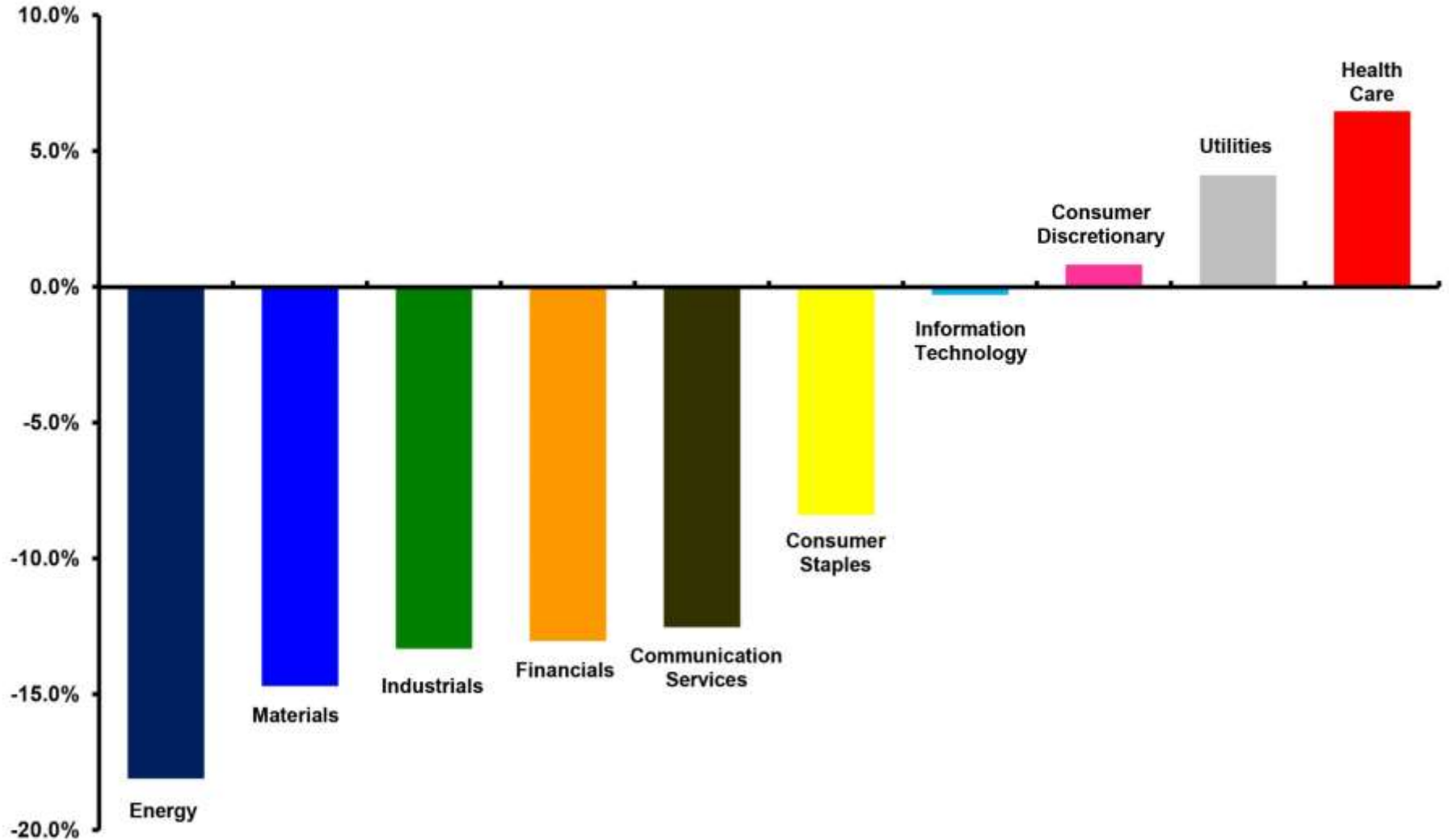
	Value	Blend	Growth
Large	-8.97	-4.39	-0.01
Mid	-11.90	-11.10	-10.34
Small	-12.85	-11.03	-9.34

As of: December 31, 2018

Source: BEA, Factset, Russell Investment Group, Standard & Poor's
Census Bureau, J.P. Morgan Asset Management
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DOMESTIC 2018 EQUITY SECTOR PERFORMANCE

S&P 500 Sector Performance
12/31/2017 - 12/31/2018



As of: December 31, 2018

SOURCE: BLOOMBERG INVESTMENT SERVICE
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SECULAR BEAR MARKET WATCH

April 1, 2000 to December 31, 2018
(18 years and 9 months)

	<u>Annual Compound Return</u>	<u>Total Return</u>
Consumer Price Index (Inflation)	2.07%	46.75%
90-Day Treasury Bills Index-Total Return	1.57%	33.90%
Barclays Aggregate Bond Index-Total Return	4.78%	140.17%
High Yield Corporate Bond Index – Total Return	8.37%	352.09%
S&P Leveraged Loan Index – Total Return	4.69%	136.15%
HFRX Global Hedge Fund Index	2.04%	45.94%
S&P 500 Index (U.S. Stock Market)	4.80%	140.92%
MSCI EAFE Index (Developed Foreign Equities)	3.00%	74.24%
MSCI Emerging Market Index (Equities)	6.33%	216.52%
Newedge CTA Index (Managed Futures)	4.07%	111.22%
Dow Jones–UBS Commodity Index-Total Return (USD)**	-1.32%	-22.14%
Dow Jones U.S. Real Estate Index-Total Return (USD)**	9.86%	483.63%
Gold Bullion	8.48%	360.24%

As of: December 31, 2018

Compound and Total Returns include reinvested dividends. MSCI Indexes do not include dividends prior to 2002. Newedge Index is equally-weighted.

** USD = U.S. Dollar

Source: Bloomberg Investment Service

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SECULAR BEAR MARKET WATCH (CONTINUED)

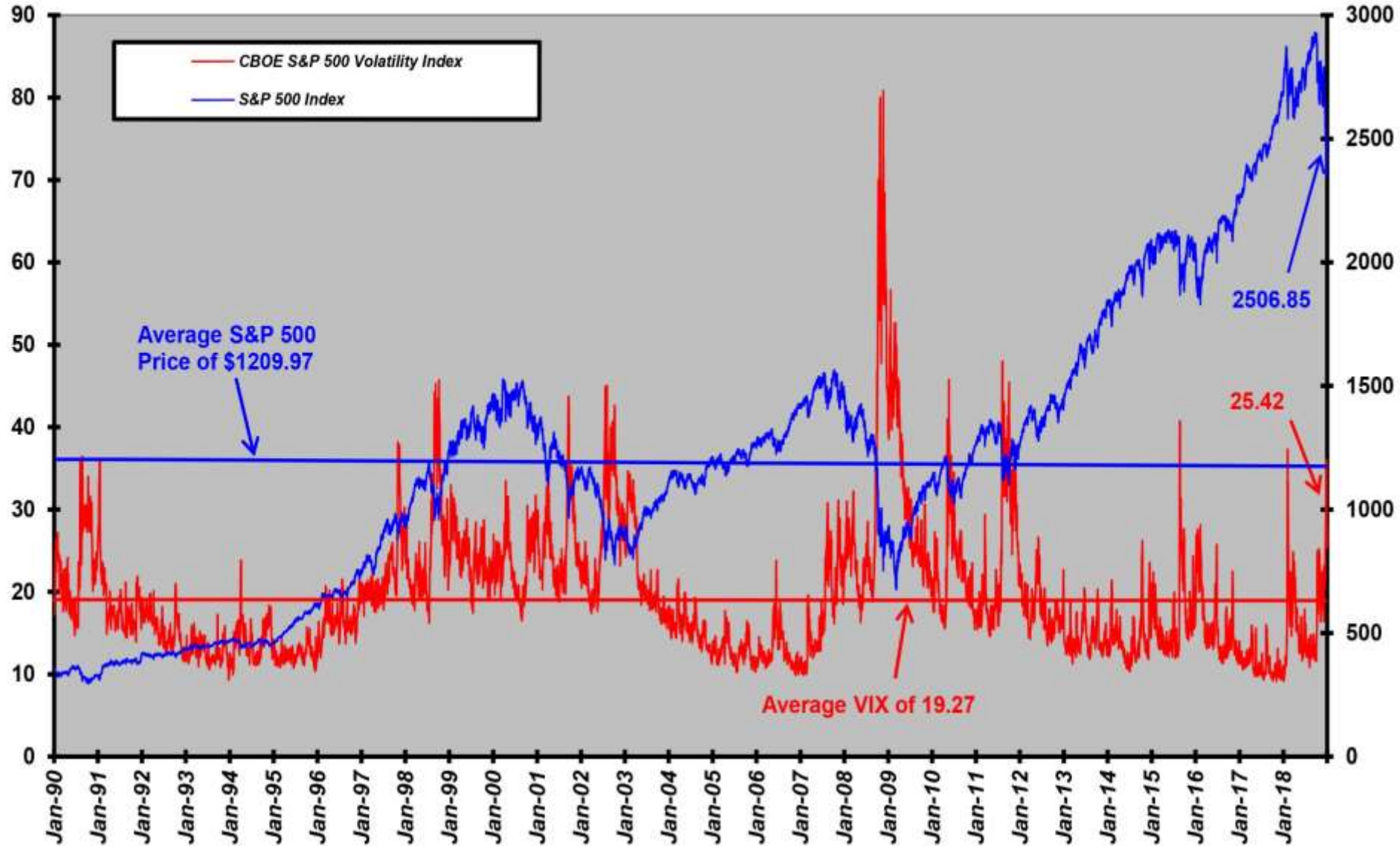
**April 1, 2000 to December 31, 2018
(18 years and 9 months)**

Note: During Secular Bear markets U.S. Stocks have historically returned a little more than inflation or a little less than inflation—plus or minus 1.50%—and generally last between 15 to 25 years. The last Secular Bear market (1966 to 1982) lasted 17 years and underperformed inflation by approximately one-half of one percent per year. The other Secular Bear markets since 1900 were 1901 to 1920 and 1929 to 1949. In both cases, the U.S. Stock market outperformed inflation by approximately 1.50% per year. All of the aforementioned performance numbers are pre-tax.

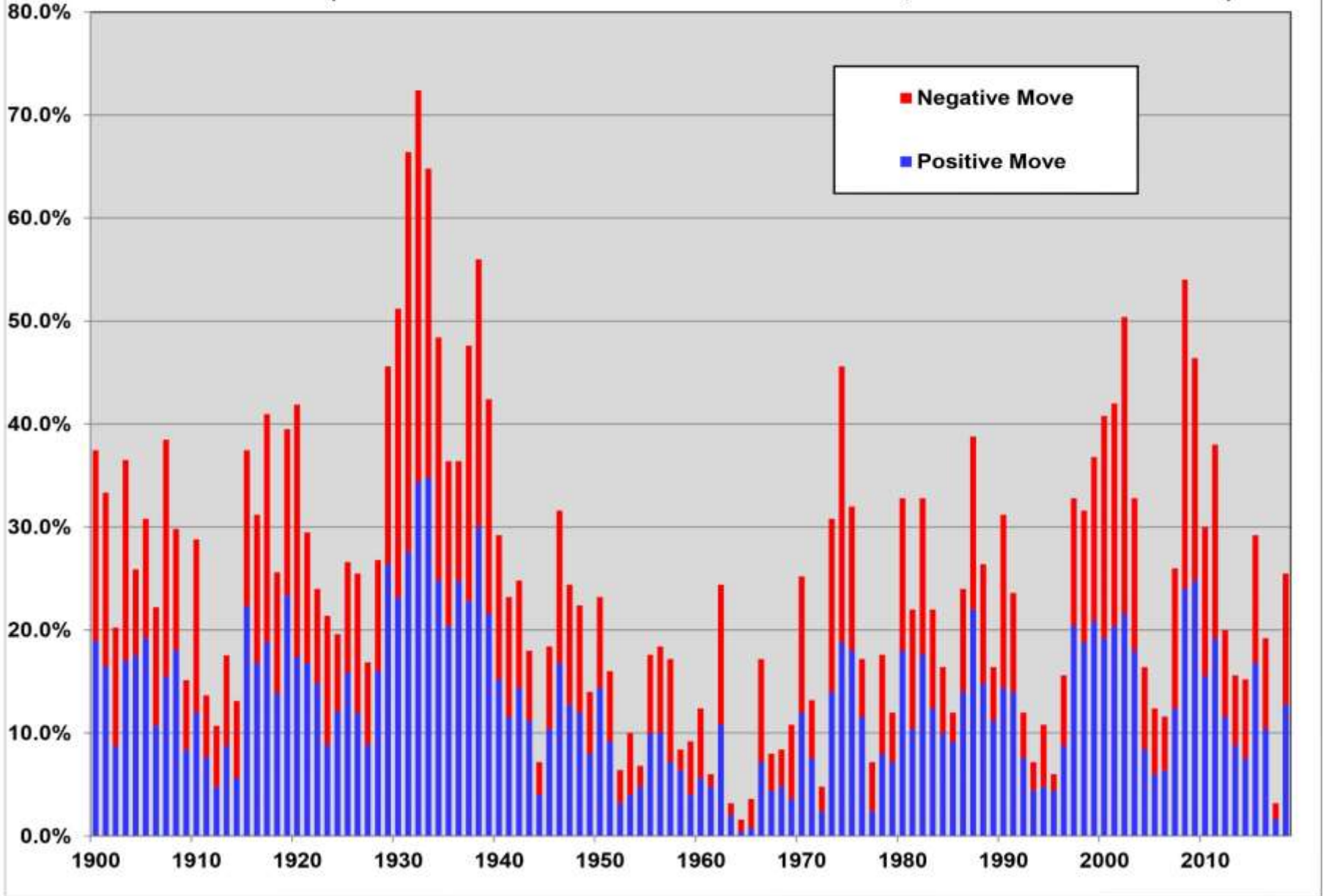
The performance of the U.S. Stock market so far in the current period (April 1, 2000 to the present) certainly appears to indicate that we are in a Secular Bear market. Long-term returns (over the next 10 years) for the S&P 500 will probably be slightly worse than the last 18 years and 9 months. Current 10 year normalized P/Es (long-term valuations) indicate approximate annual compound returns of slightly less than 3.00% over the next 10 years. Of course during the next 10 years, returns during various periods will be significantly higher and lower than the expected return. For example, the more the stock market rises in the near term, the less returns after that period will be and vice versa.

VOLATILITY

VOLATILITY INDEX (VIX) AND S&P 500 PERFORMANCE JANUARY 1, 1990 - DECEMBER 31, 2018



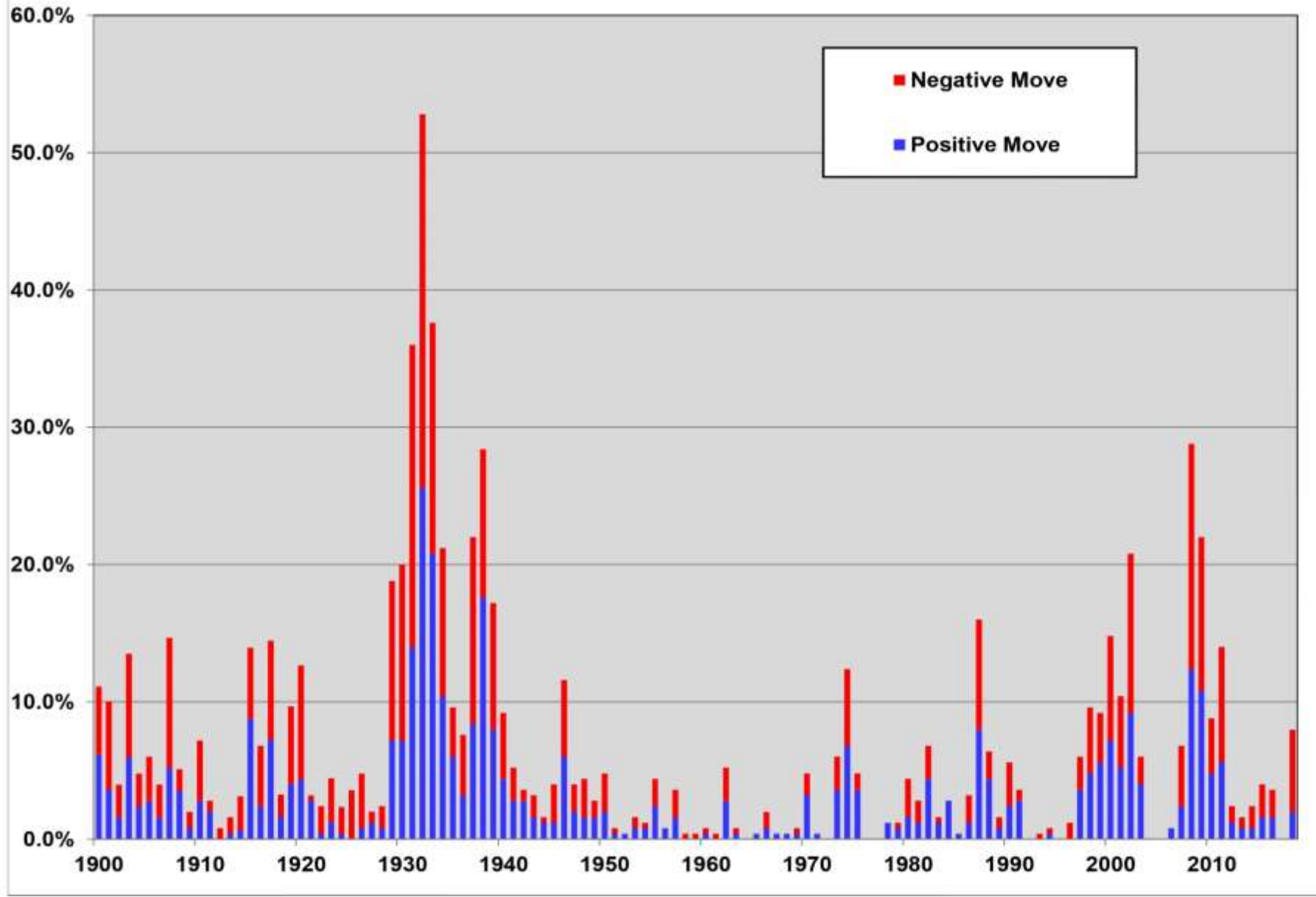
**ANNUAL OCCURENCE OF 1.0% OR GREATER MOVES (DAY TO DAY CLOSES)
1900 TO DATE (DOW JONES INDUSTRIAL AVG. 1900-1928, S&P 500 INDEX AFTER)**



SOURCE: BLOOMBERG INVESTMENT SERVICE
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As of: December 31, 2018

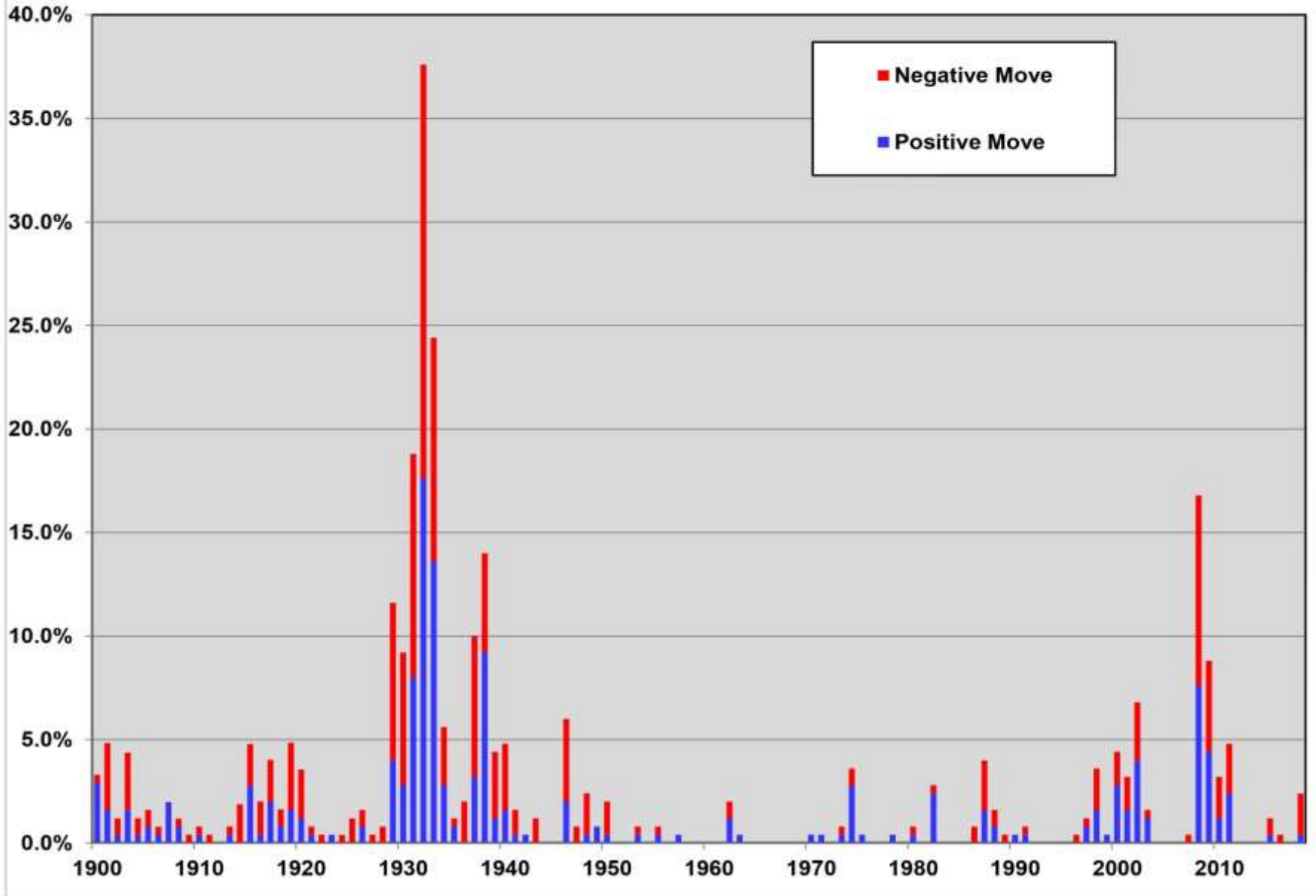
ANNUAL OCCURENCE OF 2.0% OR GREATER MOVES (DAY TO DAY CLOSES) 1900 TO DATE (DOW JONES INDUSTRIAL AVG. 1900-1928, S&P 500 INDEX AFTER)



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As of: December 31, 2018

**ANNUAL OCCURENCE OF 3.0% OR GREATER MOVES (DAY TO DAY CLOSES)
1900 TO DATE (DOW JONES INDUSTRIAL AVG. 1900-1928, S&P 500 INDEX AFTER)**



SOURCE: BLOOMBERG INVESTMENT SERVICE
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As of: December 31, 2018

FORECASTING MARKET DOWNTURNS

CHARACTERISTICS OF CYCLICAL AND SECULAR STOCK MARKETS

CYCLICAL BULL STOCK MARKET

Generally 1 to 5 years in length
Positive returns far exceed inflation
Tend to be shorter within Secular Bear Market
Tend to be longer within Secular Bull Market

CYCLICAL BEAR STOCK MARKET

Generally 1 to 3 years in length
Characterized by negative returns
Tend to be longer within Secular Bear Market
Tend to be shorter within Secular Bull Market

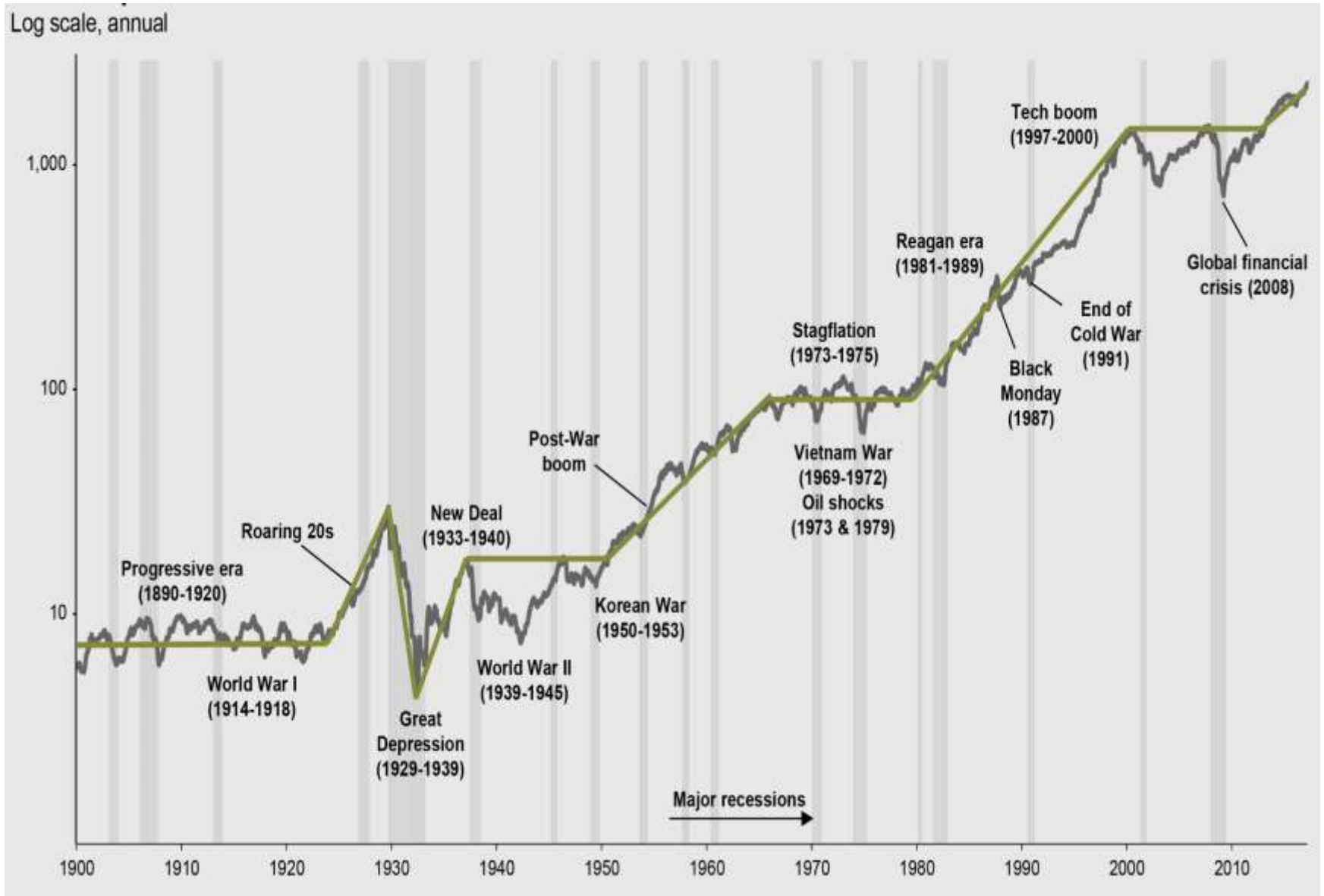
SECULAR BULL STOCK MARKET

Generally 10 to 20 years in length
Positive returns provide nominal mid-teens type returns which far exceed inflation

SECULAR BEAR STOCK MARKET

Generally 15 to 25 years in length
Nominal returns are usually positive but barely out pace inflation over the entire period if they do at all.

S&P COMPOSITE INDEX



As of: December 31, 2018

Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management
Data shown in log scale to best illustrate long-term index patterns.
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SHILLER PRICE/EARNINGS RATIOS

Long-Term Stock Market P/E Valuations Fell A Bit In December-Still In Highest Valuation Levels

P/E

45

40

35

30

25

20

15

10

5

0

Note: Created by Robert J. Shiller, Professor at Yale University, this Price Earnings Ratio is based on average inflation-adjusted earnings from the previous 10 years (Each year of earnings is inflated and quoted in current dollars), known as the Cyclically Adjusted P/E Ratio, also known as the Shiller PE Ratio, or PE 10 Ratio. Because this factors in earnings from the previous ten years, it is less prone to wild swings in any one year. The bad news: Because of the current high P/E valuation of 27.22 returns on the S&P 500 are likely to be in the very low single digits over the next ten years.

Black Tuesday

Black Monday

27.22

1880

1880

1900

1910

1920

1930

1950

1940

1960

1970

1980

1990

2000

2010

1881-01-01

① Great Time To Buy

② Good Time To Buy

● Terrible Time To Buy

As of: January 3, 2019

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Source: www.multpl.com

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U.S. STARTING VALUATIONS HAVE DEMONSTRATED A STRONG IMPACT ON FUTURE RETURNS

Subsequent nominal returns (annualized)*

Starting Shiller P/E	5-Year	10-Year
<10x	15.1%	14.8%
10-15x	9.3%	10.6%
15-20x	6.2%	5.6%
20-25x	4.2%	1.7%
>25x	0.4%	2.6%

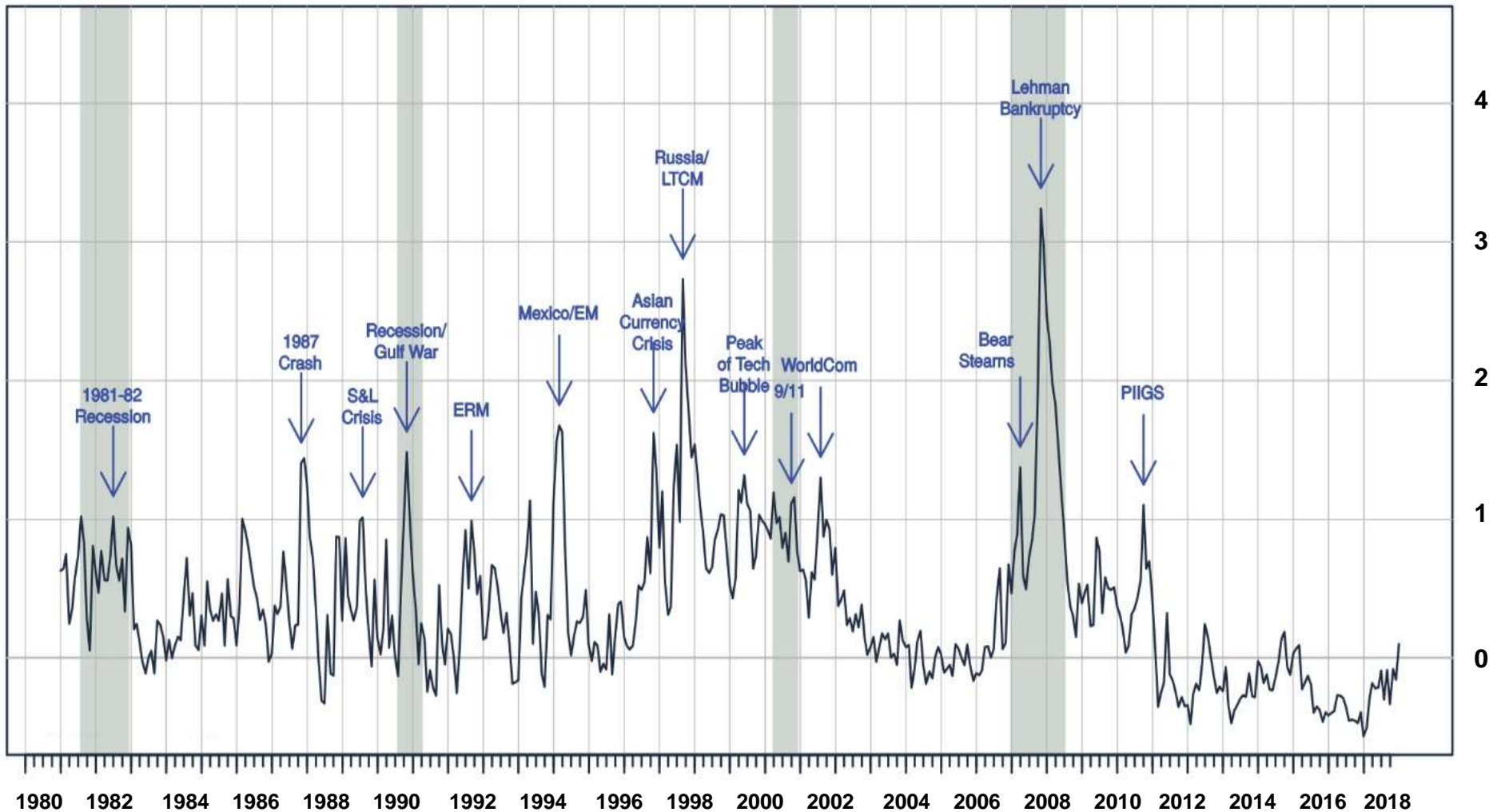
Current level: 27.22

* Median of the annualized subsequent returns calculated at each month end, using Shiller P/E and S&P 500 monthly returns from December 31, 1927 to November 21, 2014

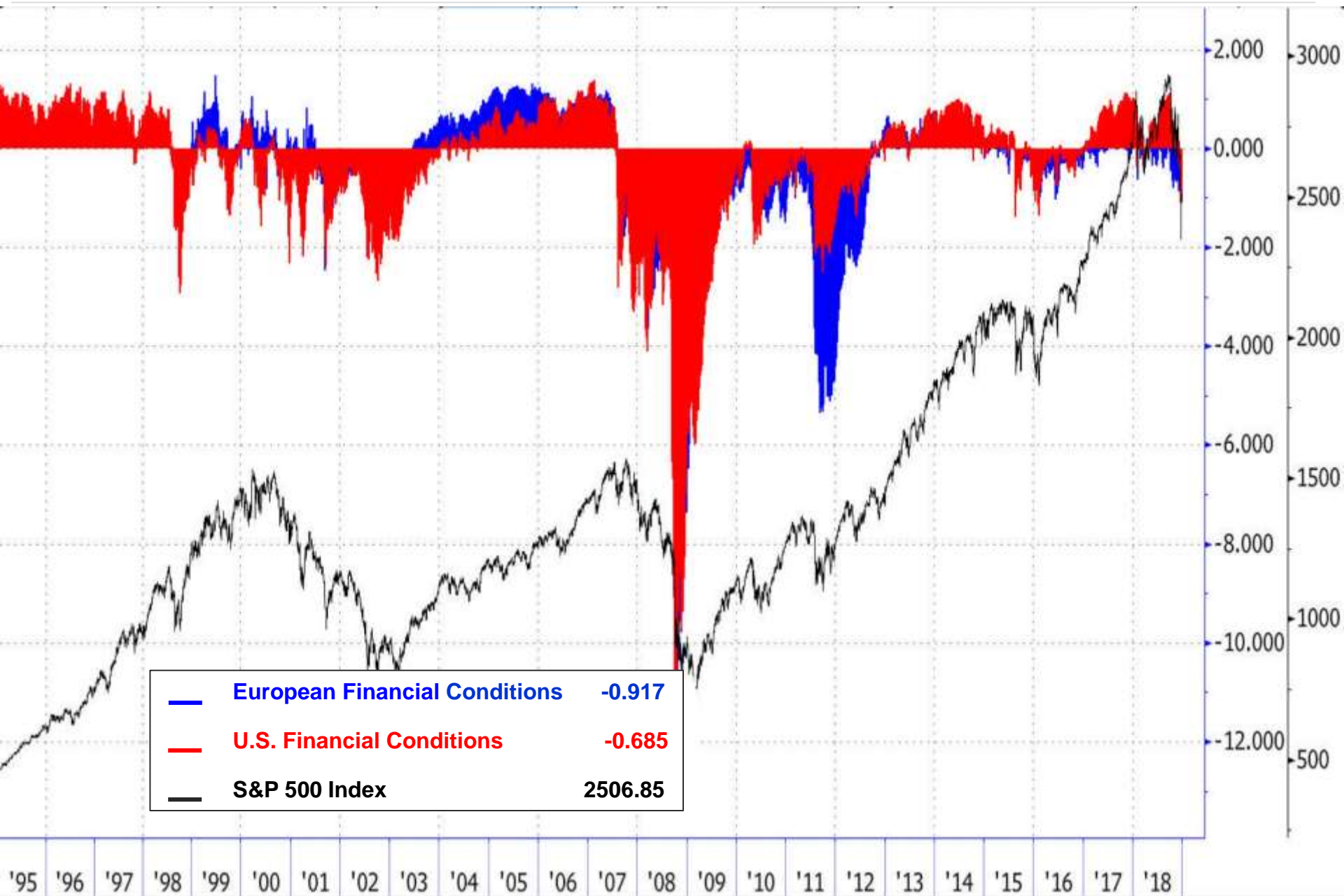
MONTHLY RISK AVERSION INDEX (RAI)

RISK INDEX INCREASES SLIGHTLY-STILL NEAR LOWEST LEVEL EVER

Note: The Risk Aversion Index combines ten market-based measures including various credit and swap spreads, implied volatility, currency movements, commodity prices and relative returns among various high- and low-risk assets.

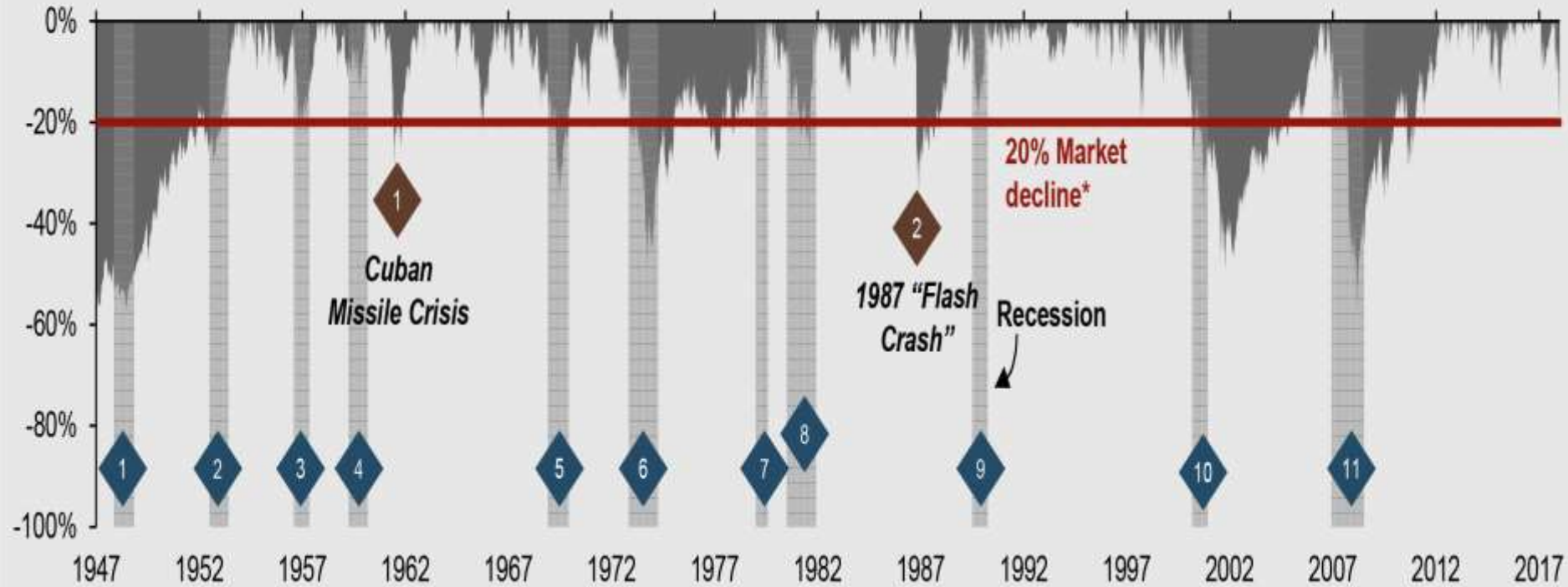


FINANCIAL CONDITIONS INDEXES



S&P 500 COMPOSITE BEAR MARKETS DECLINES FROM ALL-TIME HIGHS

U.S. recessions and S&P 500 composite declines from all-time highs



As of: December 31, 2018

Source: FactSet, NBER, Robert Shiller, Standard & Poor's J.P. Morgan Asset Management
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**STOCK MARKET
DIPS, CORRECTIONS
AND
BEAR MARKETS**

MARKET FLUCTUATIONS

What Past Market Declines Can Teach Us

A History Of Declines (January 1, 1900 – January 17, 2019)

<u>Type of Decline</u>	<u>Percentage Decline</u>	<u>Number of Declines</u>	<u>Average Frequency</u>	<u>Average Length</u>
Dip	-5.0% to -10.0%	389	About 3 times a year	46 days
Correction	-10.0% to -15.0%	127	About once a year	115 days
Severe Correction	-15.0% to -20.0%	Included in corrections total	About once every 2 years	216 days
Bear Market*	-20.0% to -30.0%	17	About once every 6.25 years	11 months
Severe Bear Market*	-30.0% or more	14	About once every 8.25 years	22.8 months

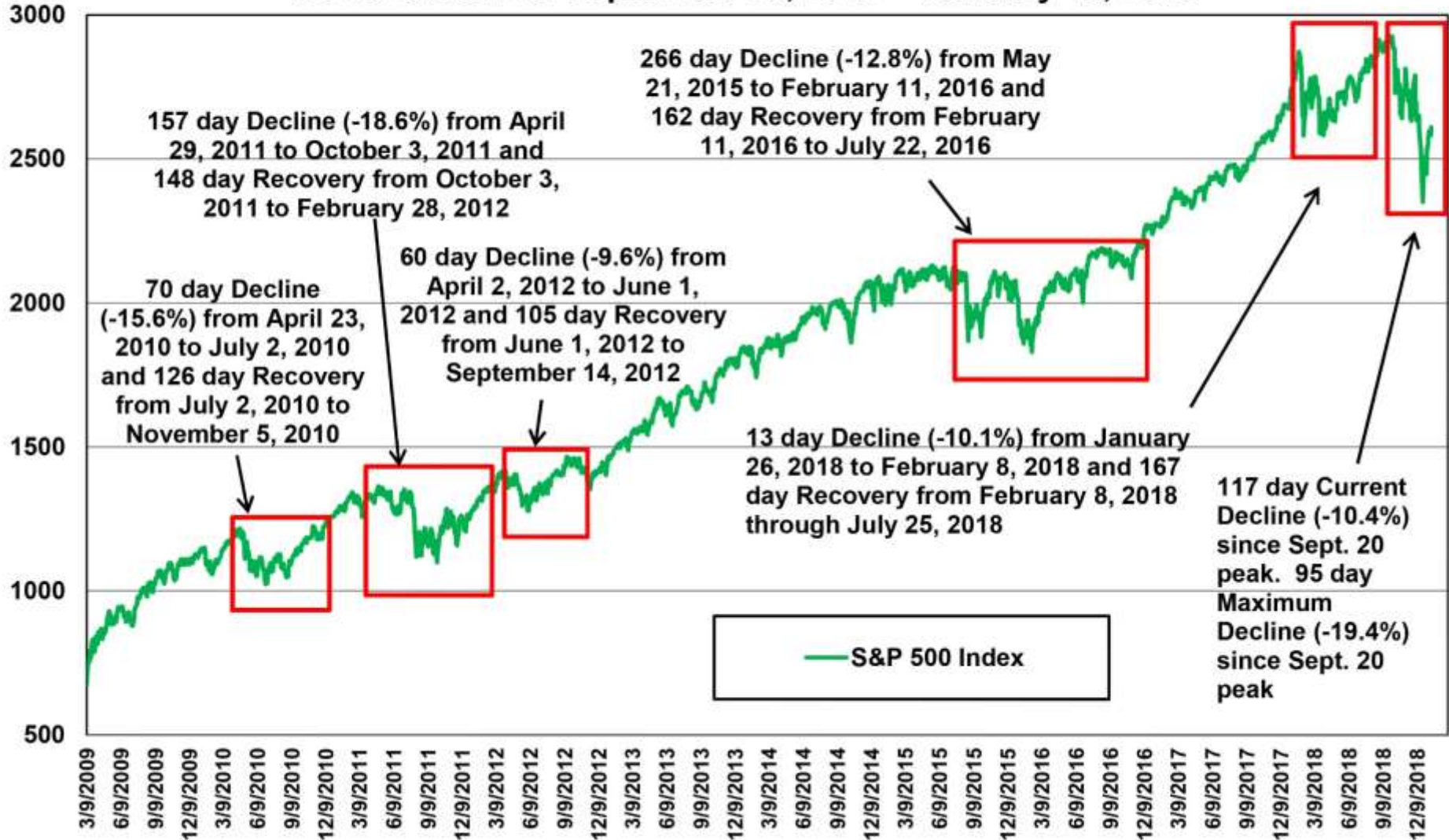
* Either a Bear Market or a Severe Bear Market occurs approximately every 3.7 years.

S&P 500 INDEX - A HISTORY OF RECENT STOCK MARKET CORRECTIONS

MARCH 9, 2009 - JANUARY 15, 2019

THE SIXTH CORRECTION BEGINS

Current Decline: September 20, 2018 - January 15, 2019

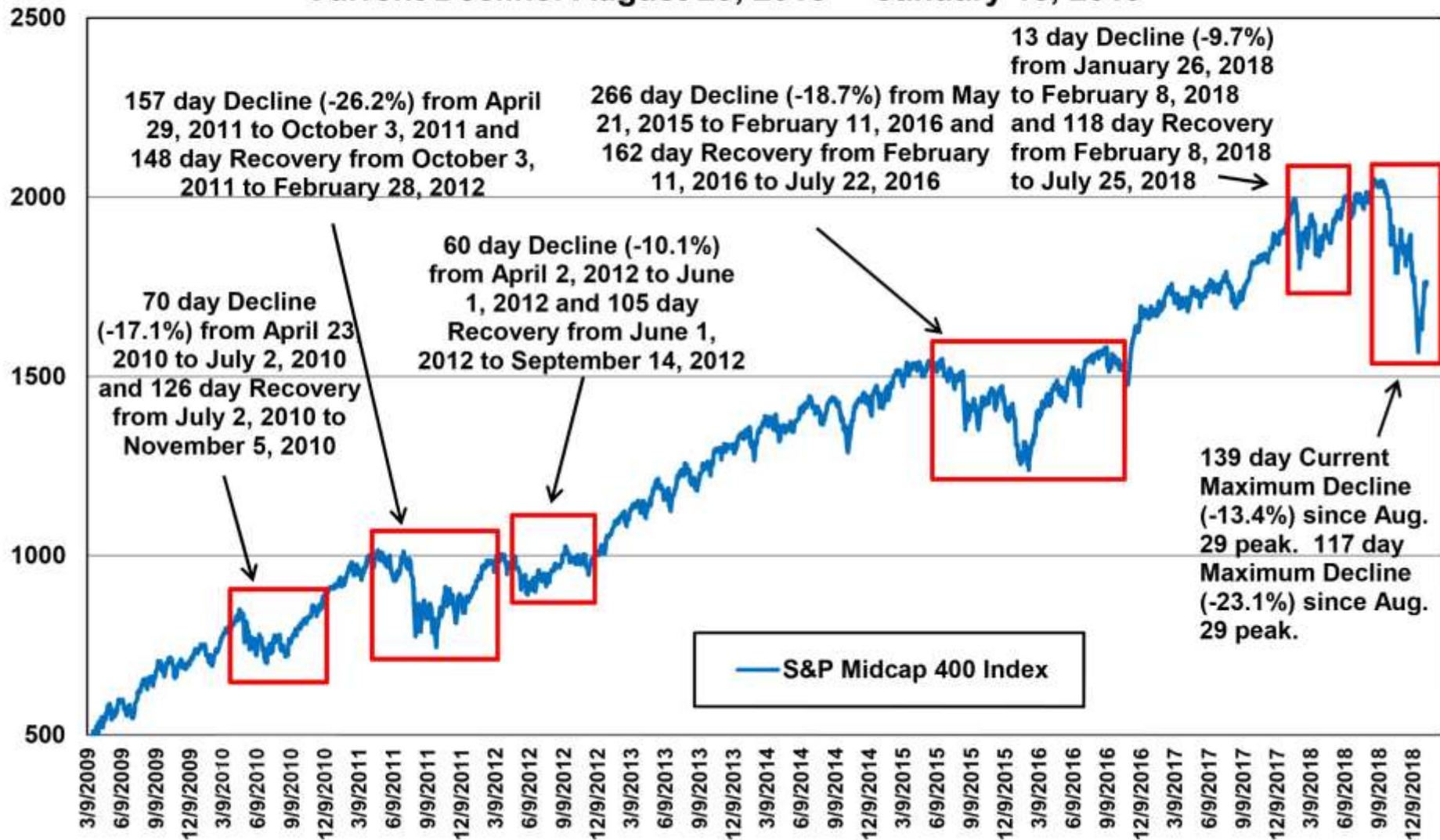


S&P 400 MID-CAP INDEX - A HISTORY OF RECENT STOCK MARKET CORRECTIONS

MARCH 9, 2009 - JANUARY 15, 2019

THE SIXTH CORRECTION BEGINS

Current Decline: August 29, 2018 - January 15, 2019

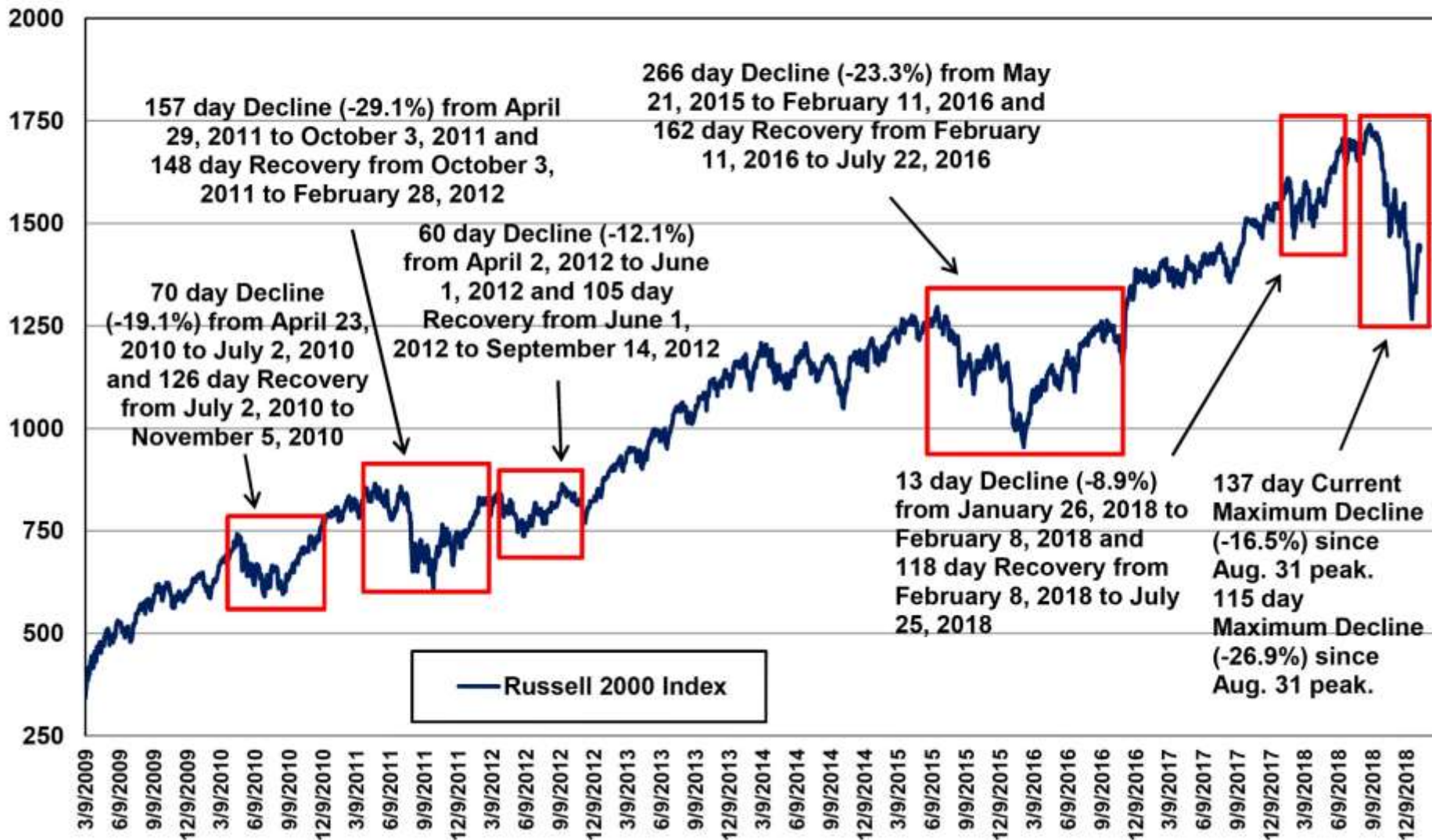


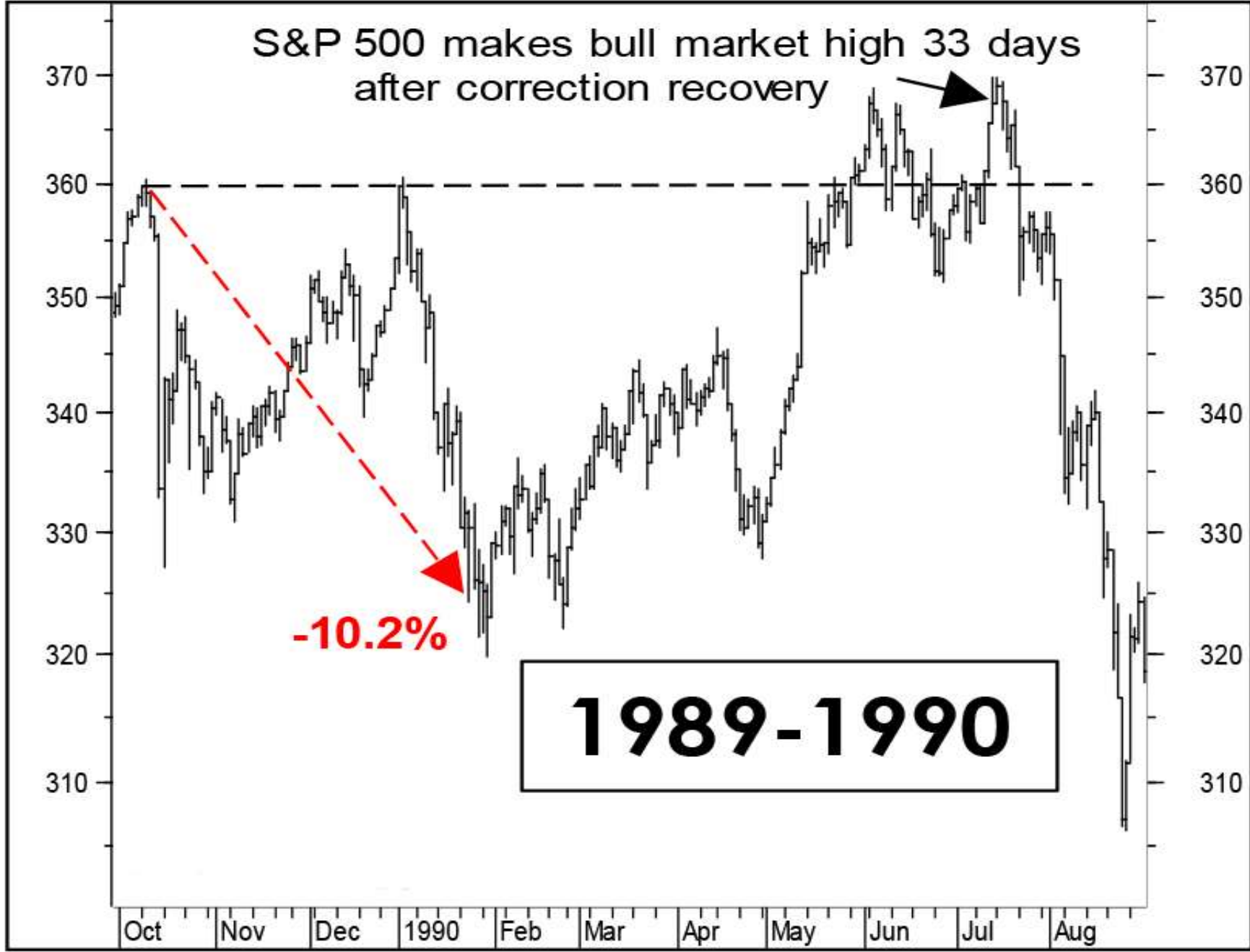
RUSSELL 2000 (SMALL STOCKS) - A HISTORY OF RECENT STOCK MARKET CORRECTIONS

MARCH 9, 2009 - JANUARY 15, 2019

THE SIXTH CORRECTION BEGINS

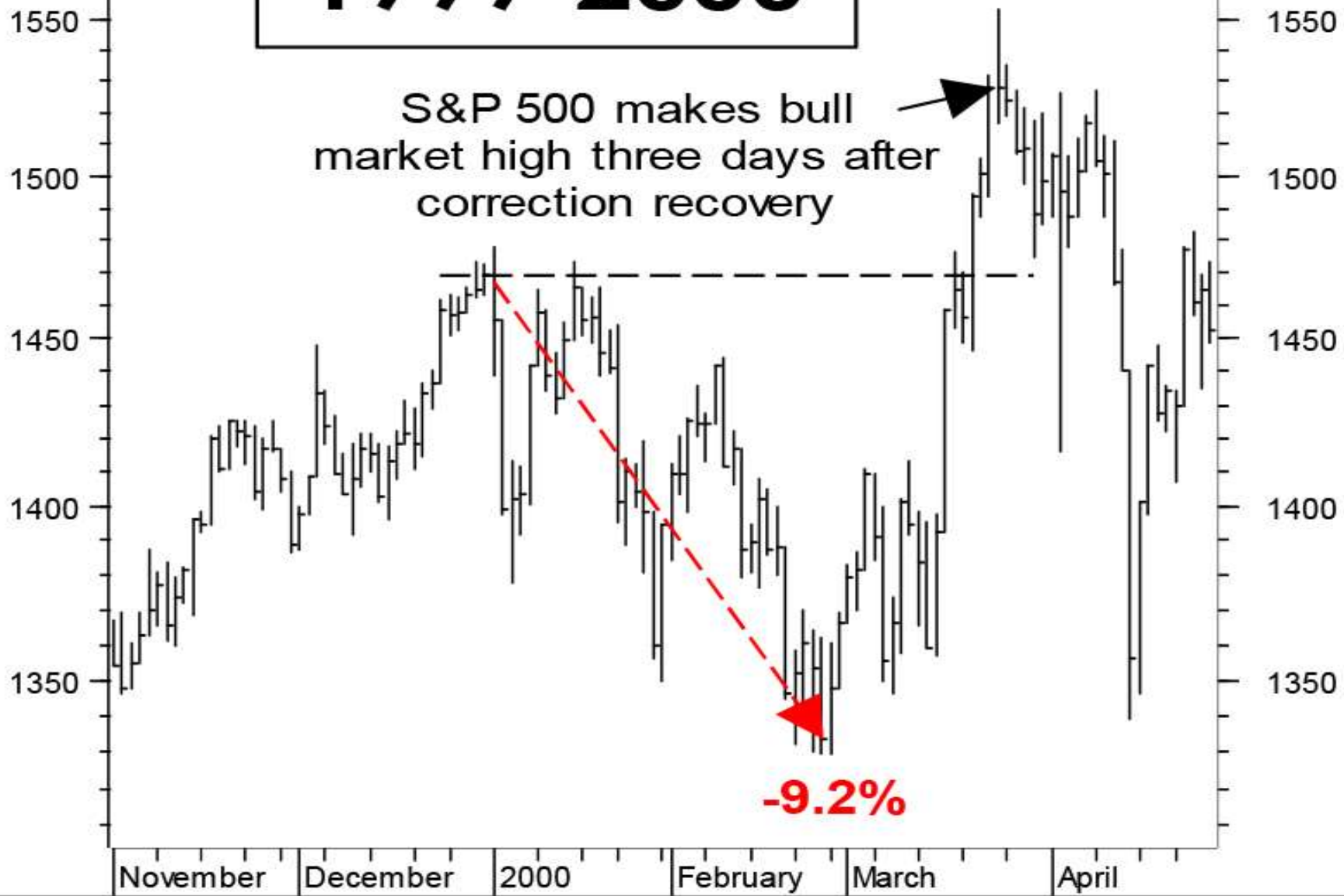
Current Decline: August 31, 2018 - January 15, 2019

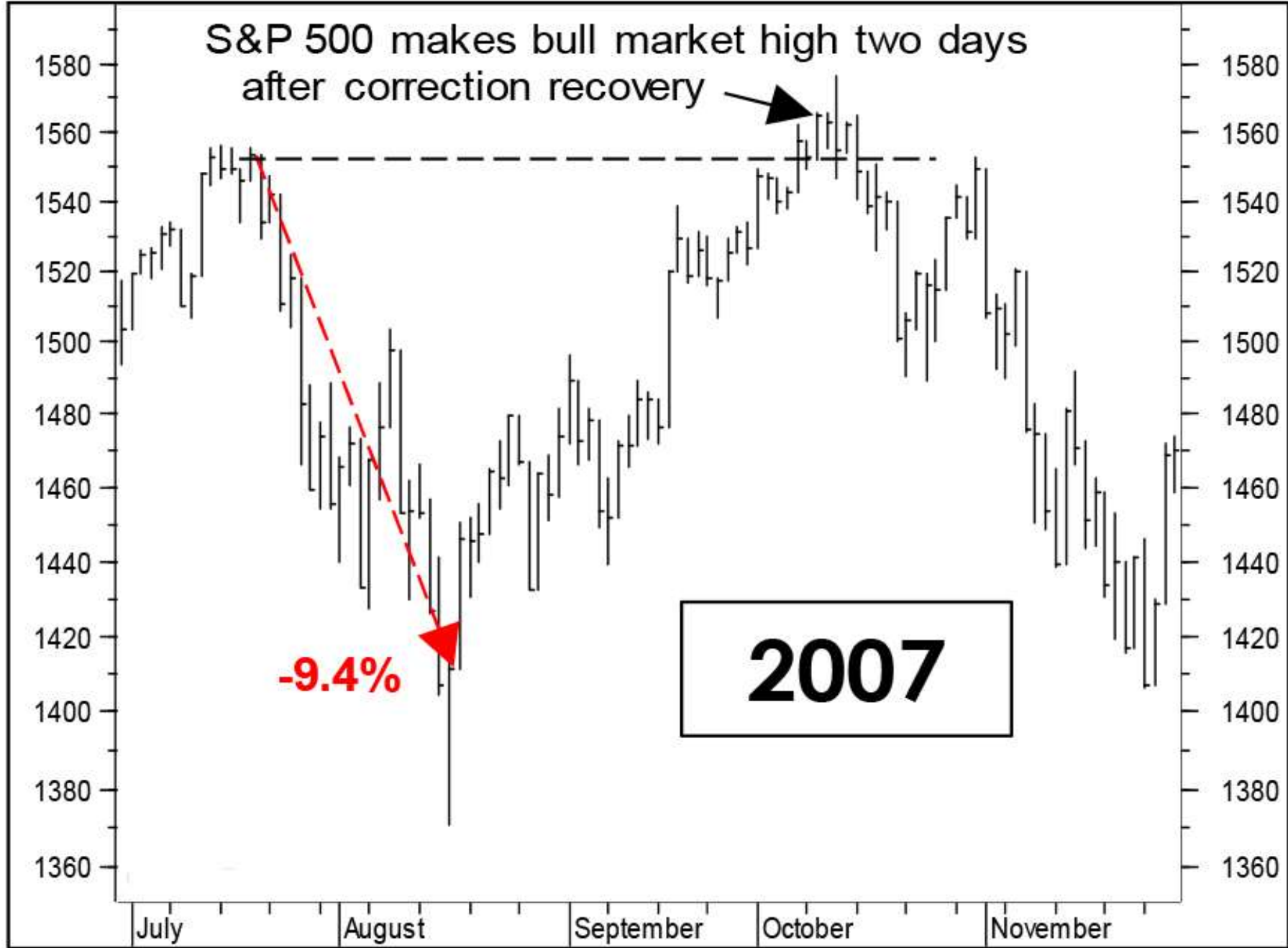




1999-2000

S&P 500 makes bull market high three days after correction recovery





100 YEARS OF BEAR MARKET RECOVERIES

(DJIA: 1900-1926; S&P 500 1926 to Present)

<u>Stock Market Peaks & Troughs</u>			<u>Bear Market Statistics</u>			<u>Performance From Bear Market Low</u>			
Date Of Market Peak *****	Market Peak Level *****	Market Trough Level *****		Date Of Market Trough *****	Peak To Trough Performance *****	Duration Of Bear Market *****	Performance 1 Year Later *****	Cumulative Perf. 2 Years Later *****	Cumulative Perf. 3 Years Later *****
Jun-17-1901	57.33	30.88	1	Nov-9-1903	-46%	29 Months	59%	93%	122%
Jan-19-1906	75.45	38.83	2	Nov-15-1907	-49%	22 Months	66%	87%	60%
Nov-19-1909	73.64	53.43	3	Sep-25-1911	-27%	22 Months	28%	13%	-2%
Sep-30-1912	68.97	52.32	4	Jul-30-1914	-24%	22 Months	44%	70%	76%
Nov-18-1916	110.15	65.95	5	Dec-19-1917	-40%	13 Months	25%	59%	5%
Nov-3-1919	119.62	63.90	6	Aug-24-1921	-47%	21.5 Months	56%	44%	62%
Sep-7-1929	31.92	4.41	7	Jul-8-1932	-86%	34 Months	172%	124%	141%
Jul-18-1933	12.20	8.06	8	Mar-14-1935	-34%	20 Months	81%	127%	34%
Mar-10-1937	18.68	8.50	9	Mar-31-1938	-54%	12.5 Months	29%	44%	17%
Nov-9-1938	13.79	7.47	10	Apr-28-1942	-46%	41.5 Months	54%	59%	98%
May-29-1946	19.25	13.55	11	Jun-13-1949	-30%	36.5 Months	42%	59%	80%
Aug-2-1956	49.75	38.98	12	Oct-22-1957	-22%	14.5 Months	31%	44%	37%
Dec-12-1961	72.64	52.32	13	Jun-26-1962	-28%	6.5 Months	33%	56%	59%
Feb-9-1966	94.06	73.20	14	Oct-7-1966	-22%	8 Months	33%	42%	27%
Nov-29-1968	108.37	69.29	15	May-26-1970	-36%	18 Months	44%	60%	56%
Jan-11-1973	120.24	62.28	16	Oct-3-1974	-48%	20.5 Months	38%	67%	55%
Sep-21-1976	107.83	86.90	17	Mar-6-1978	-19%	17.5 Months	13%	25%	49%
Nov-28-1980	140.52	102.42	18	Aug-12-1982	-27%	20.5 Months	58%	62%	83%
Aug-25-1987	336.77	223.92	19	Dec-4-1987	-34%	3.5 Months	21%	57%	46%
Jul-16-1990	368.95	295.46	20	Oct-11-1990	-20%	3 Months	29%	36%	56%
Jul-17-1998	1186.75	957.28	21	Aug-31-1998	-19%	1.5 Months	38%	59%	18%
Mar-24-2000	1527.46	776.76	22	Oct-9-2002	-49%	30.5 Months	34%	44%	54%
Oct-9-2007	1565.15	676.53	23	Mar-9-2009	-57%	17 Months	???	???	???
				Average	-38%	19 Months	47%	60%	56%
				Median	-34%	20 Months	38%	59%	55%

Stock Market Down In Third Year ←

BEAR MARKET DECLINES OF 45% OR MORE 100 YEARS OF BEAR MARKET RECOVERIES (DIJA: 1900-1926; S&P 500 TO PRESENT)

<u>Stock Market Peaks & Troughs</u>			<u>Bear Market Statistics</u>			<u>Performance From Bear Market Low</u>			
Date Of Market Peak *****	Market Peak Level *****	Market Trough Level *****	Date Of Market Trough *****	Peak To Trough Performance *****	Duration Of Bear Market *****	Performance 1 Year Later *****	Cumulative Perf. 2 Years Later *****	Cumulative Perf. 3 Years Later *****	
Jun-17-1901	57.33	30.88	1	Nov-9-1903	-46%	29 Months	59%	93%	122%
Jan-19-1906	75.45	38.83	2	Nov-15-1907	-49%	22 Months	66%	87%	60%
Nov-3-1919	119.62	63.90	6	Aug-24-1921	-47%	21.5 Months	56%	44%	62%
Sep-7-1929	31.92	4.41	7	Jul-8-1932	-86%	34 Months	172%	124%	141%
Mar-10-1937	18.68	8.50	9	Mar-31-1938	-54%	12.5 Months	29%	44%	17%
Nov-9-1938	13.79	7.47	10	Apr-28-1942	-46%	41.5 Months	54%	59%	98%
Jan-11-1973	120.24	62.28	16	Oct-3-1974	-48%	20.5 Months	38%	67%	55%
Mar-24-2000	1527.46	776.76	22	Oct-9-2002	-49%	30.5 Months	34%	44%	54%
Oct-9-2007	1565.15	676.53	23	Mar-9-2009	-57%	17 Months	69%	95%	103%

Bear Markets Down 45% Or More →

Average	-54%	25 Months	63%	70%	76%
Median	-49%	22 Months	55%	63%	61%

Bear Markets Down Less Than 45% →

Average	-27%	15 Months	37%	55%	45%
Median	-27%	16 Months	33%	58%	48%

Stock Market Down In Third Year ←

DOW JONES INDUSTRIAL AVERAGE

September 3, 1929 – July 8, 1932



■ Last Price 41.22
 † High on 09/03/29 381.17
 + Average 182.85
 † Low on 07/08/32 41.22

Aug Sep Oct Nov Dec 1929
 Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 1930
 Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec 1931
 Jan Feb Mar Apr May Jun Jul Aug 1932

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
 Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000

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 SN 114010 EDT GMT-4:00 H227-331-1 19-Mar-2012 11:17:24

Note: Price change -89.2%

Source of Information: Bloomberg
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PERFORMANCE OF PRECIOUS METALS DURING BEAR MARKETS IN STOCKS

Bear Market Dates	S&P 500	Gold	Silver
January 11, 1973 - October 3, 1974	-48.2 %	138.8 %	134.3 %
September 21, 1976 - March 6, 1978	-19.4	53.8	14.9
November 28, 1980 - August 12, 1982	-27.1	-46.3	-66.5
August 25, 1987 - December 4, 1987	-33.5	6.2	-14.2
July 16, 1990, October 11, 1990	-19.9	6.8	-11.9
July 17, 1998 - August 31, 1998	-19.3	-5.8	-11.4
March 24, 2000 - October 9, 2002	-49.1	12.1	-15.0
October 9, 2007 - March 9, 2009	-56.8	25.5	-2.3
April 29, 2011 - October 3, 2011	-19.4	7.8	-36.6
Medians	-29.6 %	7.8 %	-11.9 %

EQUITY MARKET OUTLOOK

S&P 500

GOLDEN/DEATH CROSS STRATEGY ANALYSIS

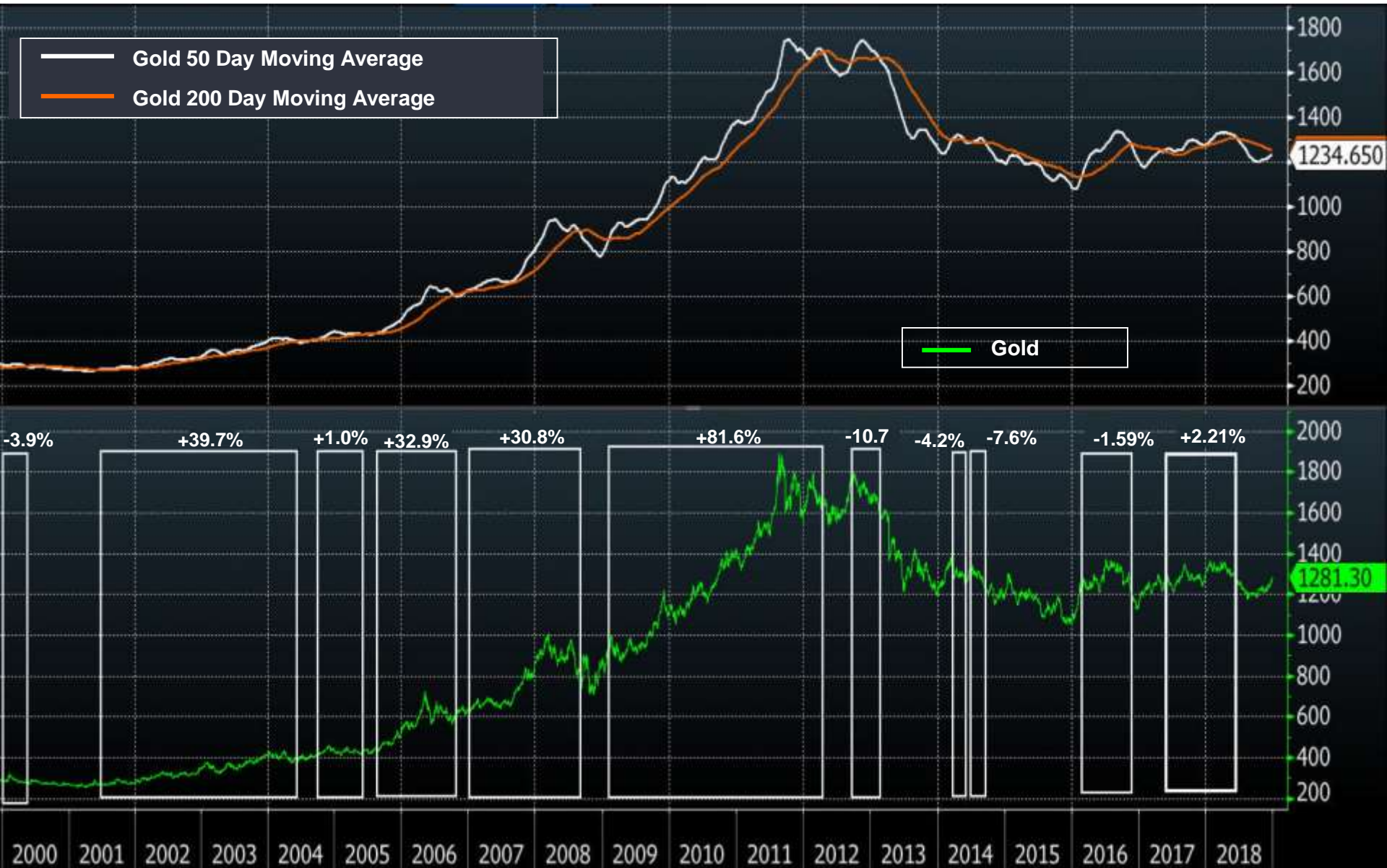
DECEMBER 31, 1999 TO DECEMBER 31, 2018



GOLD

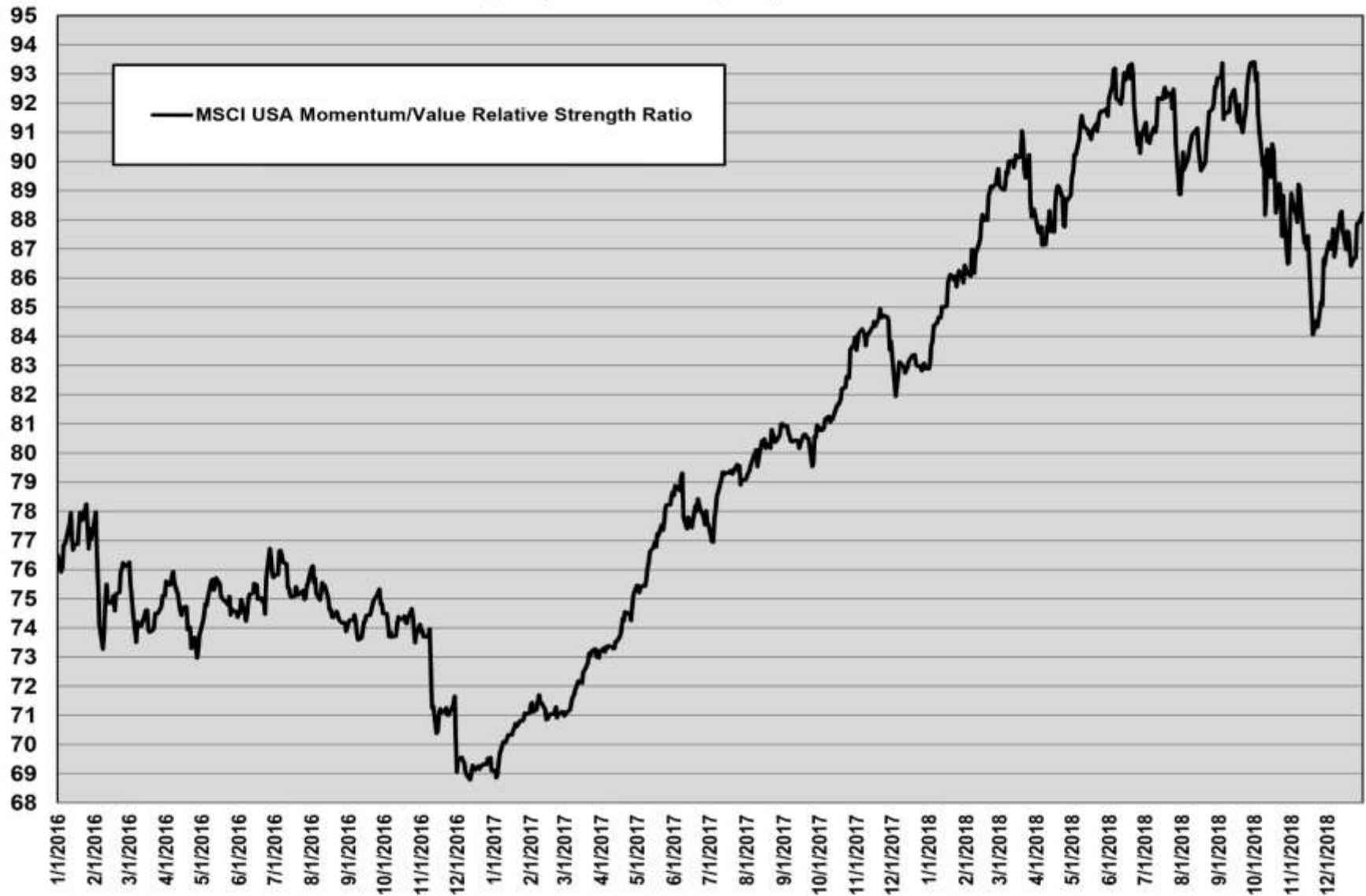
GOLDEN/DEATH CROSS STRATEGY ANALYSIS

DECEMBER 30, 1999 TO DECEMBER 31, 2018

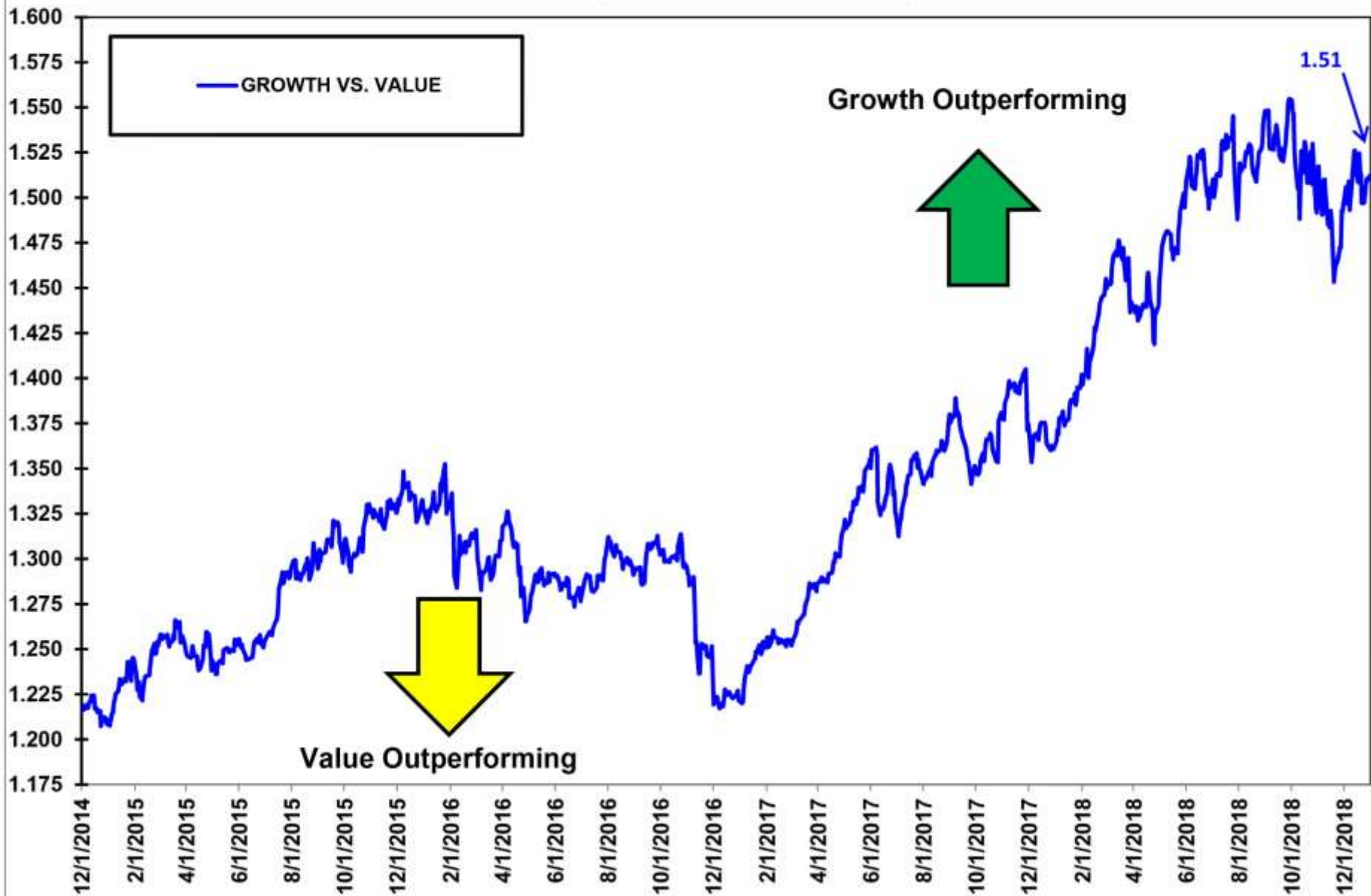


LATE IN BULL MARKET BUT NOT TERMINAL

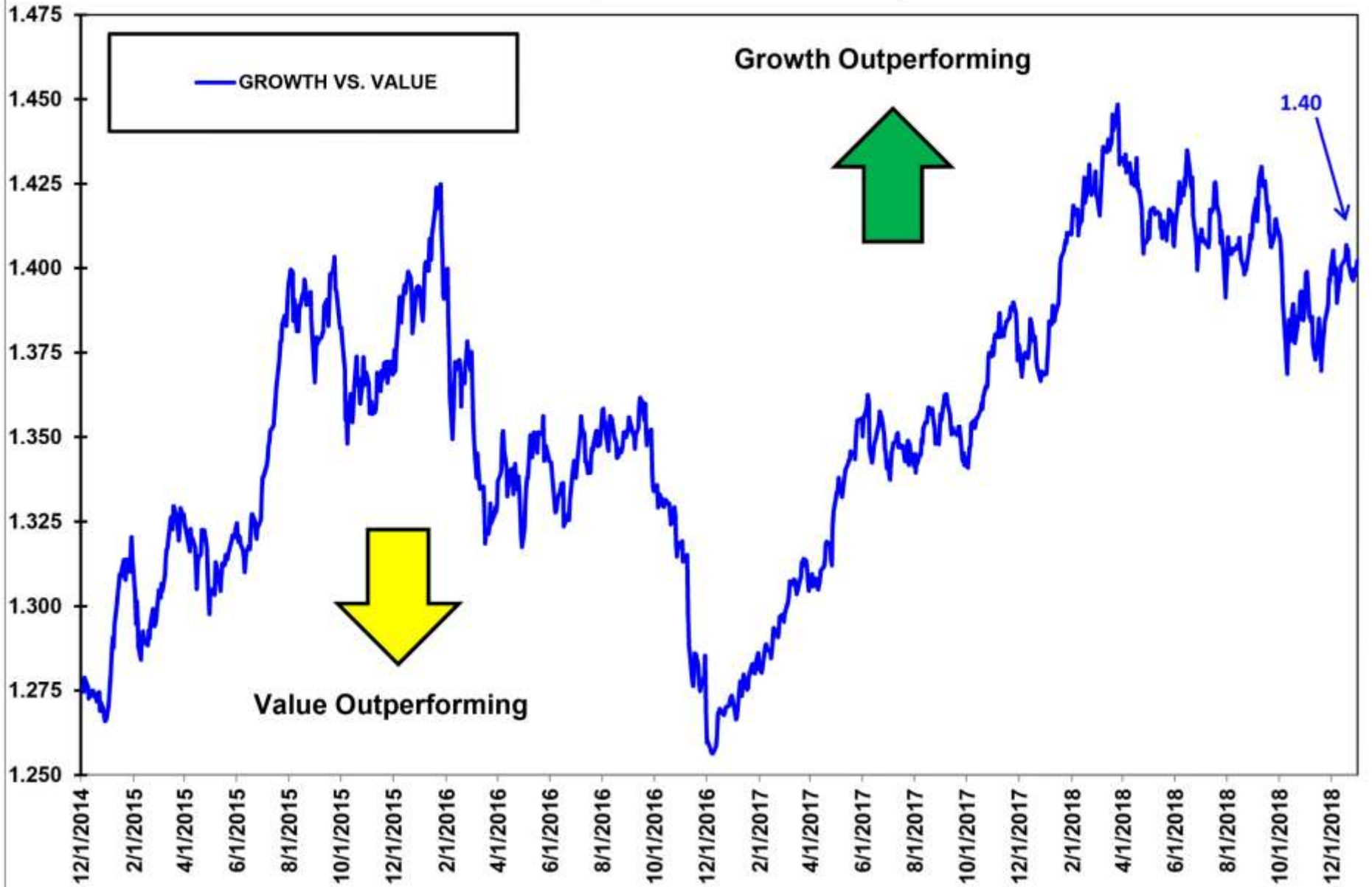
12/31/2015 - 12/31/2018



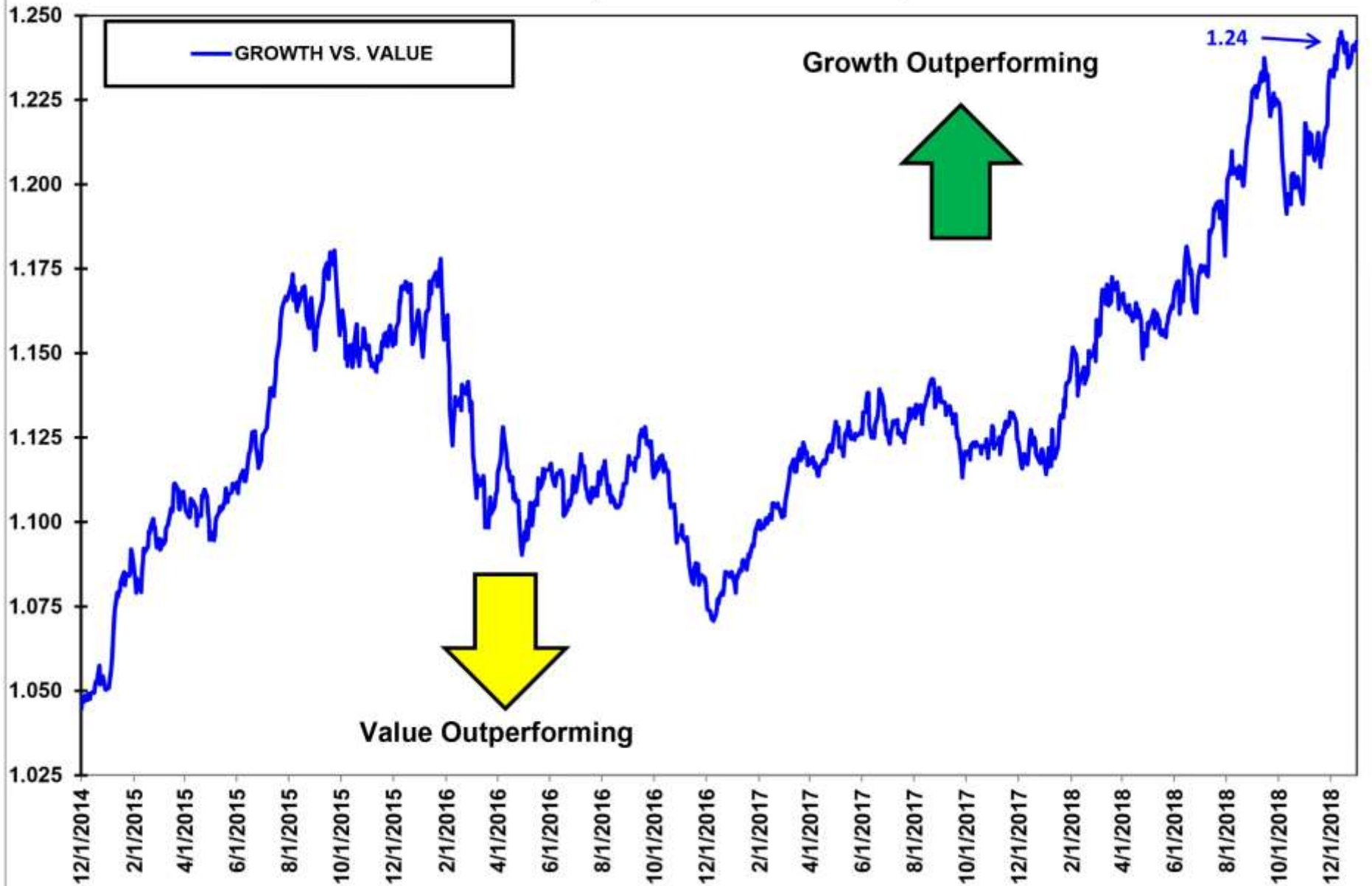
LARGE-CAP GROWTH VS. LARGE-CAP VALUE: GROWTH OUTPERFORMING NOW DECEMBER 1, 2014 TO DECEMBER 31, 2018



MID-CAP GROWTH VS. MID-CAP VALUE: VALUE OUTPERFORMING NOW DECEMBER 1, 2014 TO DECEMBER 31, 2018

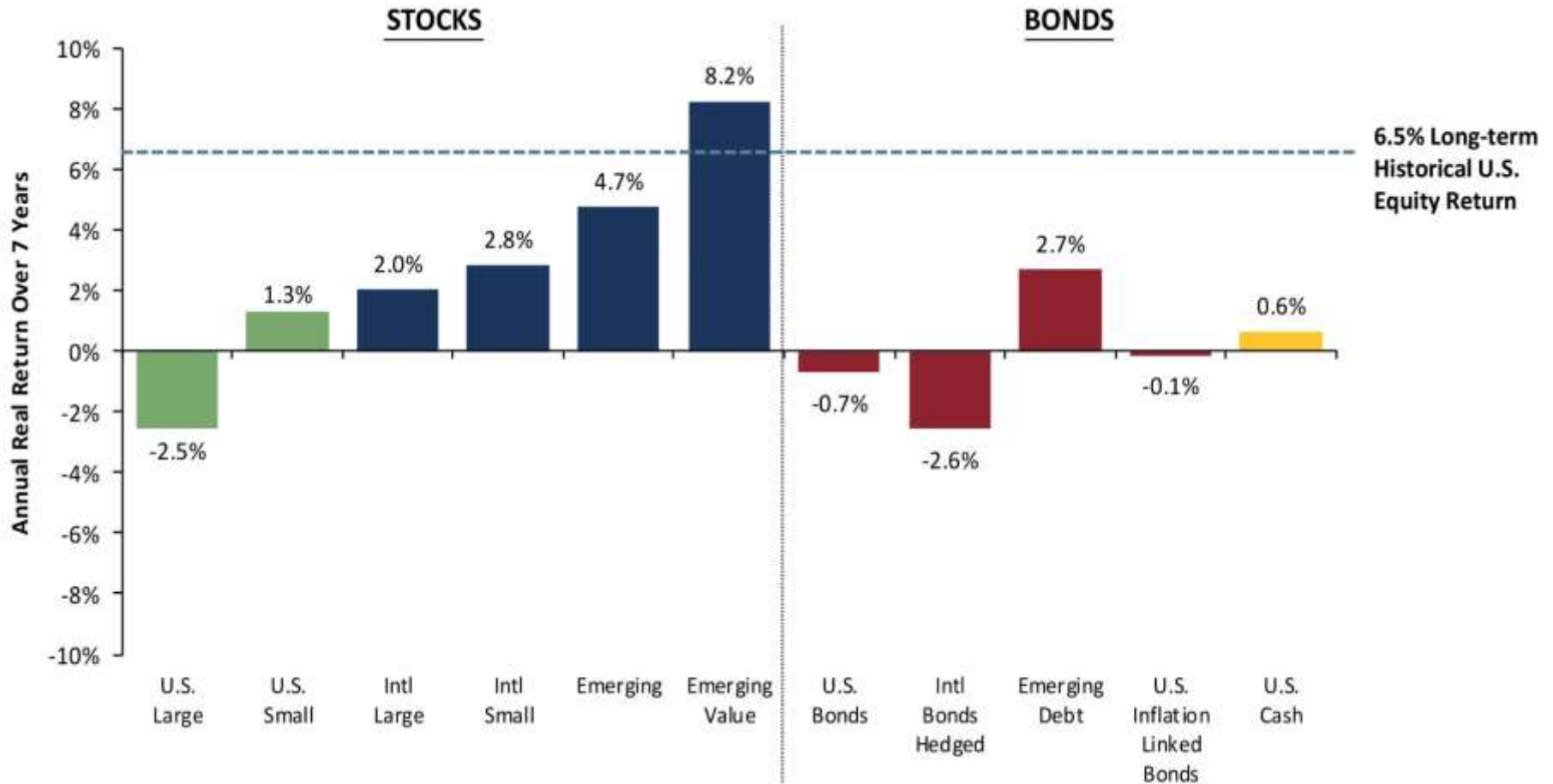


SMALL-CAP GROWTH VS. SMALL-CAP VALUE: GROWTH OUTPERFORMING NOW DECEMBER 1, 2014 TO DECEMBER 31, 2018



7-Year Asset Class Real Return Forecasts*

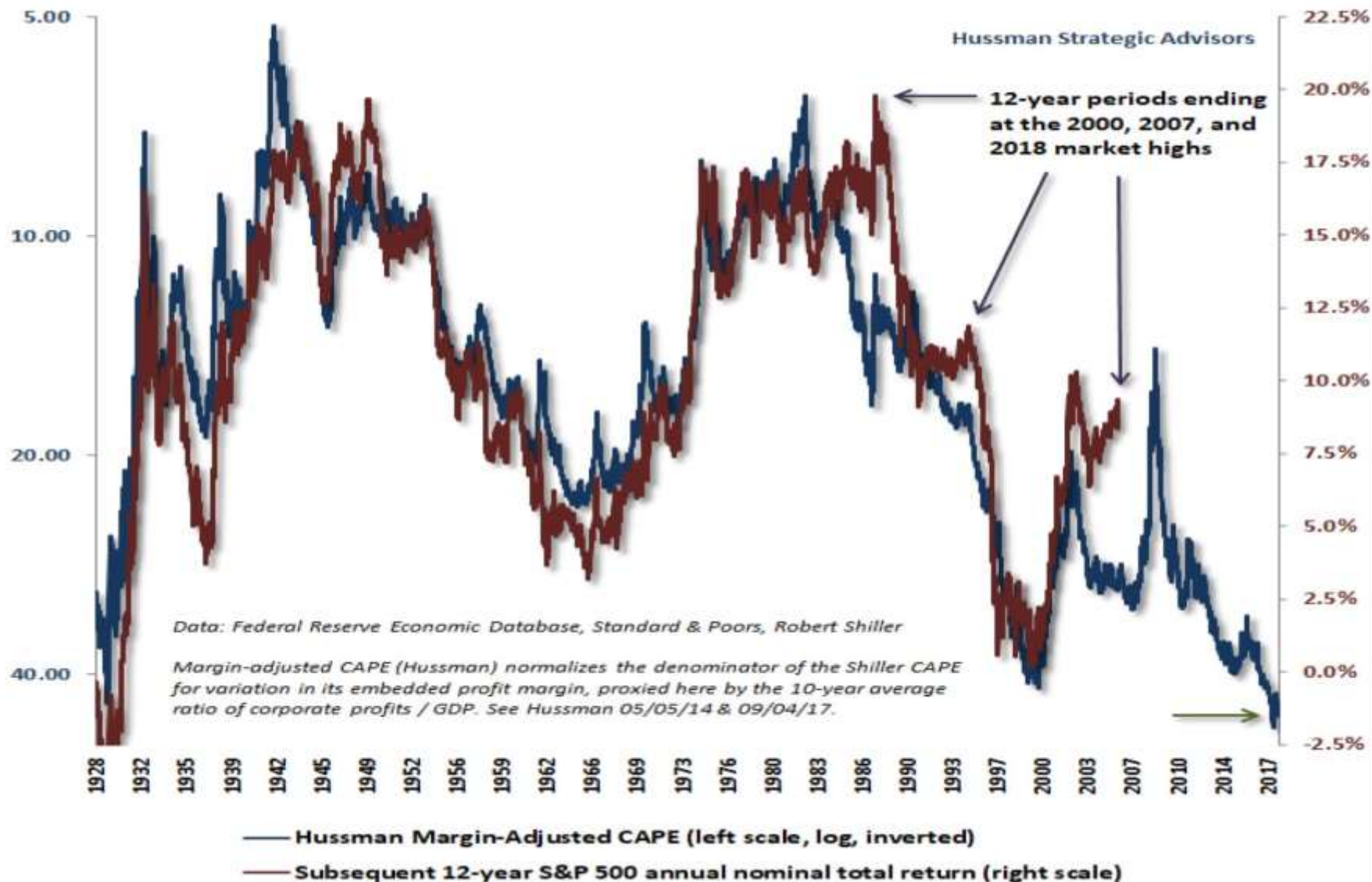
As of December 31, 2018



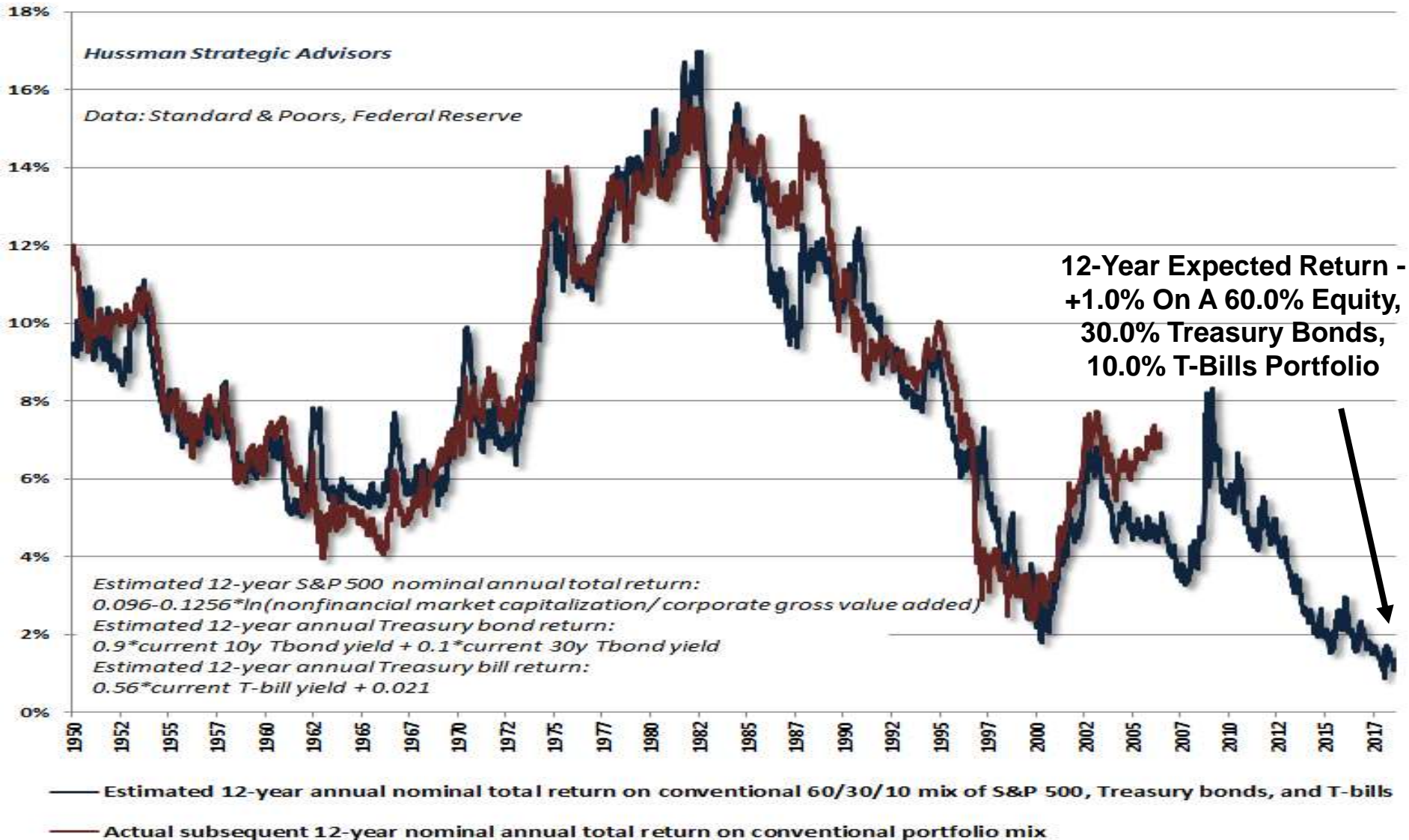
Source: GMO

*The chart represents real return forecasts for several asset classes and not for any GMO fund or strategy. These forecasts are forward-looking statements based upon the reasonable beliefs of GMO and are not a guarantee of future performance. Forward-looking statements speak only as of the date they are made, and GMO assumes no duty to and does not undertake to update forward-looking statements. Forward-looking statements are subject to numerous assumptions, risks, and uncertainties, which change over time. Actual results may differ materially from those anticipated in forward-looking statements. U.S. inflation is assumed to mean revert to long-term inflation of 2.2% over 15 years.

HUSSMAN FUND'S EXPECTED RETURNS FOR THE S&P 500 OVER NEXT 12 YEARS – 2.0%?

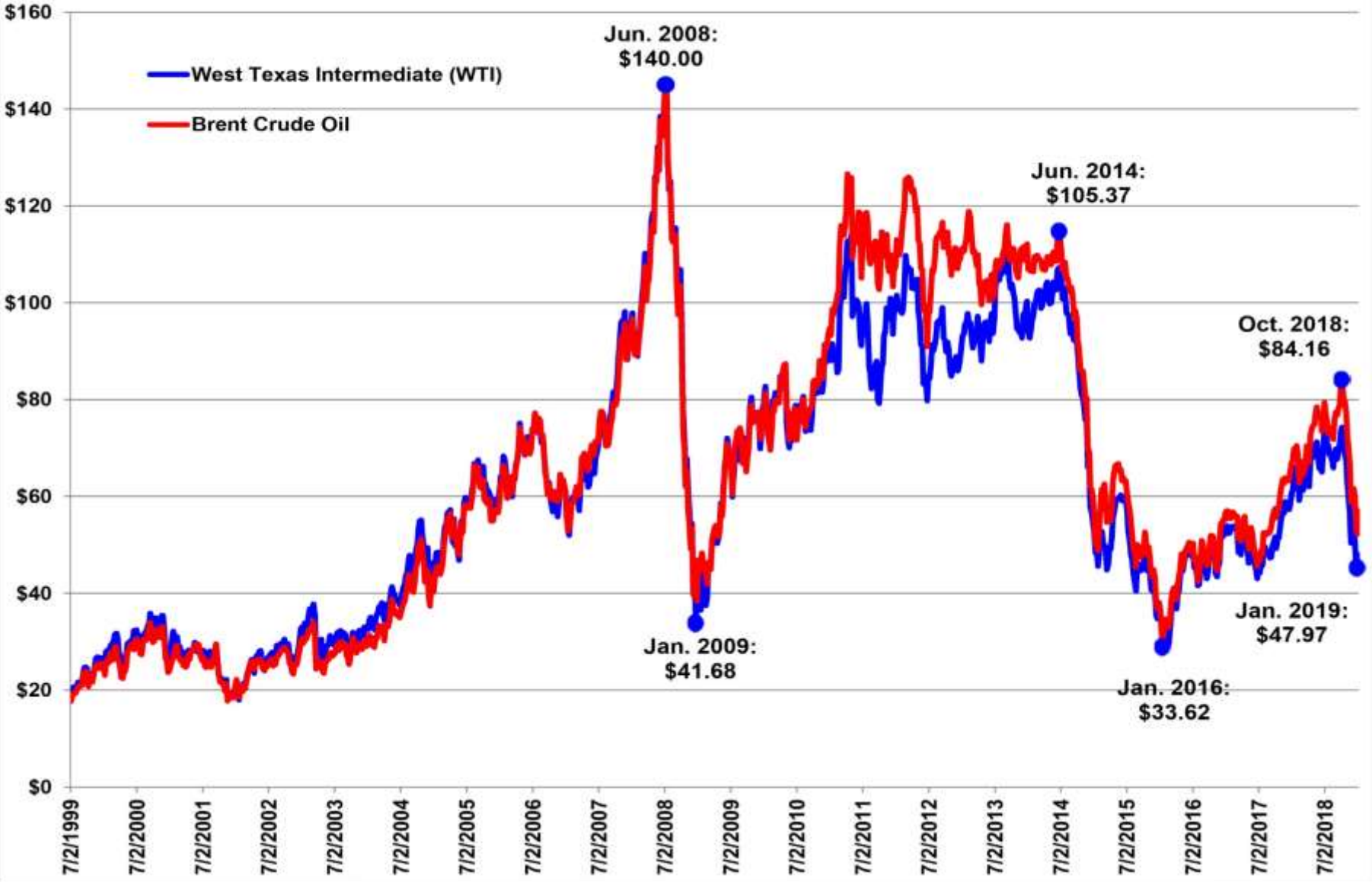


ACTUAL SUBSEQUENT 12-YEAR NOMINAL ANNUAL TOTAL RETURN ON CONVENTIONAL PORTFOLIO MIX (60.0% Equity, 30.0% Treasury Bonds, 10.0% T-Bills)

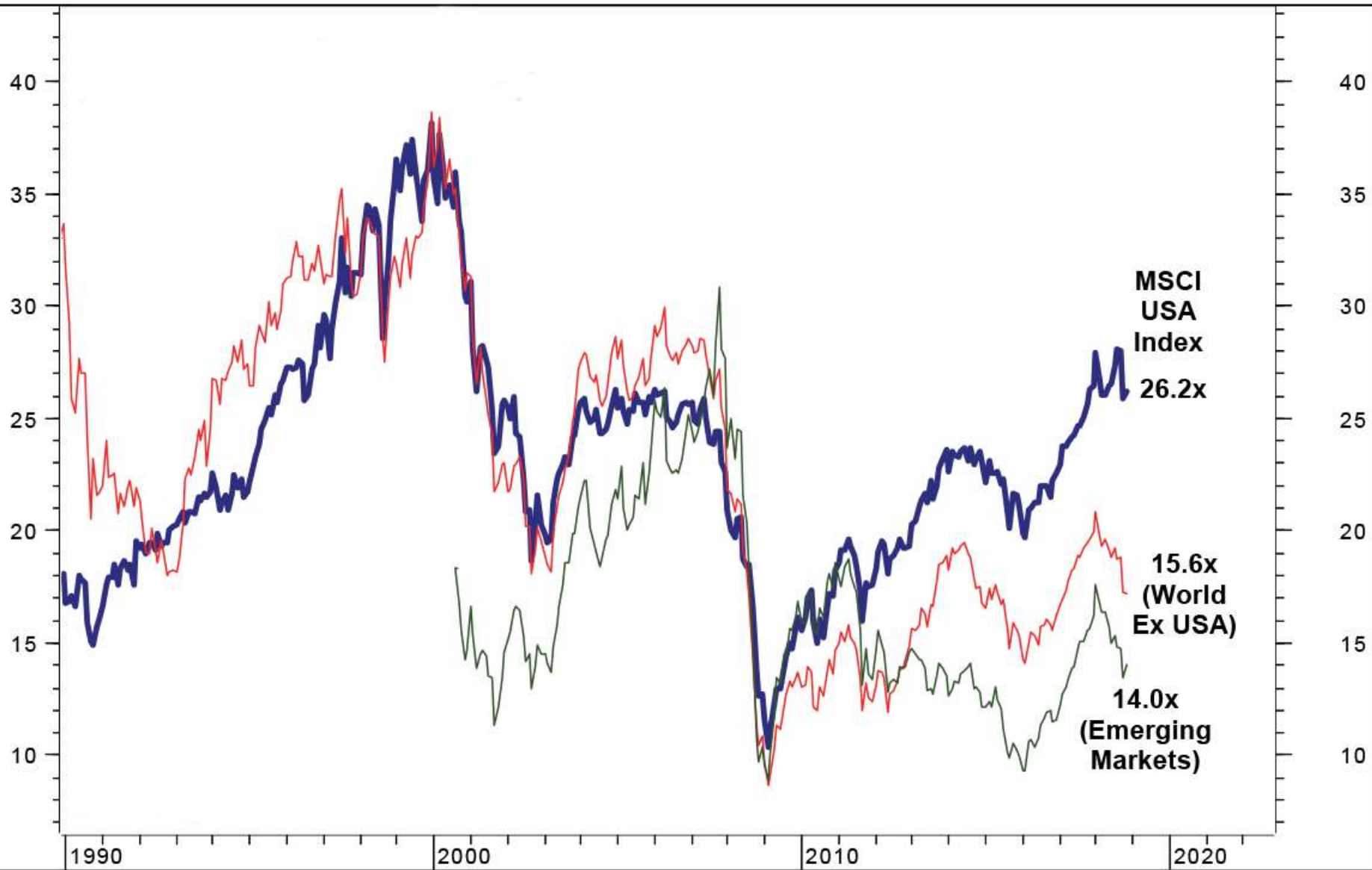


PRICE OF OIL

6/30/1999 - 1/4/2019



FIVE-YEAR NORMALIZED PRICE-TO-EARNINGS (P/E) RATIOS - U.S. VERSUS REST OF WORLD



INVESTING STRATEGIES

WHAT WILL DO WELL AS WE APPROACH A U.S. RECESSION

1. **Buy Variable Rate Debt Investments:**
 - a. **Bank Loans**
 - b. **Highly Discounted Jumbo Adjustable Interest Rate Mortgages**

2. **Buy U.S. Growth Stocks:**
 - a. **ETFs And Mutual Funds: Tech, Consumer Discretionary, Healthcare**
 - b. **Individual Stocks**

3. **Possibly Buy Some Commodities**

4. **Investments To Avoid:**
 - a. **Foreign And Emerging Market Stocks**
 - b. **Foreign And Emerging Market Bonds**
 - c. **Some Commodities**
 - d. **REITs**
 - e. **Most Intermediate And Long-Term Bonds Of All Types**
 - f. **Probably Utilities**

WHAT WILL DO WELL IN THE FIRST HALF OF A U.S. RECESSION

Assumes A Rising U.S. Dollar

- 1. Buy: Money Markets, U.S. Treasury Bills, CDs, Stable Value Funds**
- 2. Short: ETFs & Mutual Funds That Short, Short Individual Stocks**
- 3. Buy Managed Futures**
- 4. Buy The U.S. Dollar**
- 5. Buy Intermediate and Long Dated U.S. Treasuries – GNMMAs, Short/Intermediate/Long-Zero Coupons U.S. Treasuries**
- 6. Buy Commodities: Grains**
- 7. Avoid: U.S., Foreign And Emerging Market Stocks, REITs, High-Yield Bonds, Bank Loans, Highly Discounted Jumbo Adjustable Interest Rate Mortgages, Municipal Bonds, Foreign And Emerging Market Bonds**

WHAT WILL DO WELL IN THE SECOND HALF OF A U.S. RECESSION

Assumes A Falling U.S. Dollar

- 1. Buy: Money Markets, U.S. Treasury Bills, CDs, Stable Value Funds**
- 2. Short: ETFs & Mutual Funds That Short, Short Individual Stocks**
- 3. Buy Managed Futures**
- 4. Possibly Stable Fixed Income Intermediate and Long Dated U.S. Treasuries – GNMA's, Short/Intermediate/Long-Zero Coupons U.S. Treasuries**
- 5. Buy High Yield And Bank Loans Once Peak Default Rates Are Reached**
- 6. Buy: Gold Bullion And Some Commodities**
- 7. Avoid: U.S. and Foreign Stocks, Municipal Bonds, Highly Discounted Jumbo Adjustable Interest Rate Mortgages, Emerging Markets, Possibly Commodities**

THE FUTURE INVESTMENT ENVIROMENT

- 1. Traditional Fixed Income Investment Return Expectation Next 10 Years**
 - A. Low Single Digit Returns For High Quality-Rated Fixed Income Investments**
 - B. Lower Quality Fixed And Variable Rate Investments – Mid-Single Digit Return Expectations**

- 2. Expected Equity Investment Returns Next 10 Years**
 - A. U.S. Equity Returns – Approximately 2.0% to 4.0%**
 - B. Foreign Developed Equities Returns Approximately 30.0% Higher Than U.S. Equities – But Very Volatile**
 - C. Emerging Market Equities Returns – Approximately 50.0% Higher Than U.S. Equities – But Very Volatile**
 - D. U.S. REITs Returns – Approximately 4.0% to 5.0%**

WHAT TO EXPECT IN 2019

- I. More Volatility**
- II. Large Sudden Market Movements**
- III. Certain Assets Moving Upward And Others
Moving Downward**
- IV. Possible Recession Late In 2019**

QUESTIONS AND ANSWERS





Call Us With Any Questions



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