



Monthly Newsletter

Our insights on the markets, economy, and financial planning

Superbowl

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Superbowl Sunday

If you are football fan or not it is very likely that your tv will be tuned into the big game on Sunday. But it's not just about the game; snacks, commercials and prop bets are other reasons to watch. Here are some Superbowl Fun Facts to start some conversations.

- 2nd largest day of food consumption in the US behind Thanksgiving
- 1.3 billion chicken wings will be consumed
- A 30 second commercials now cost \$8 million

- Some prop bet ideas; coin toss, color of Gatorade, national anthem over/under 119.5 seconds

Whatever the reason you are watching this year we hope you have a great time with family and friends.

Charlie is picking the Seahawks to win by 4 and David is picking the Patriots by 3.



Weather and Markets

With most of the US covered in snow and ice I watch my two children's mood change from the excitement of no school and fun in the snow to boredom and just being too cold to go outside. This made me think about how winter storms are like market volatility.

Some days it's a crisp, sunny, cold with prices moving a little but predictable and investors bundle up and go about their business. Other days a storm comes out of nowhere closing stores and schools and everyone is left scrambling to figure out whether to take shelter or push through.

Like sudden blizzards a sharp drop in the market will cause panic to spread and talk of selling immediately. With ice storms we also get black ice that looks safe to walk on but suddenly you are on your back.

But we all know that in a few weeks the weather will warm up, ice and snow will melt and winter will eventually give way to spring. (although some groundhog in PA wants to keep the chaos). Short-term traders are out there chasing snowflakes attempting to profit for every change in the wind.

We know these storms will happen and are prepared for them. We look for opportunities as they arise in the times, but it is important not to overreact to the noise and volatility and instead focus on the long-term plan.

Navigating Market Volatility

What Is Market Volatility?

Market volatility refers to the rate at which the price of investments: such as stocks, bonds, or commodities, rises or falls over a given period.

It is a normal part of investing and occurs due to factors such as economic data, corporate earnings reports, interest rate changes, geopolitical events, and investor sentiment.

Volatility is often measured by the VIX (Volatility Index), sometimes called the "fear gauge," which tracks investor expectations of future market fluctuations.

Why Does Volatility Happen?

Markets move based on a combination of economic fundamentals and investor emotions. Some common triggers include:

- Economic Changes: Shifts in inflation, interest rates, and employment reports impact investor confidence.
- Company Earnings Reports — When businesses report profits below or above expectations, stock prices react.
- Geopolitical Events — Wars, trade policies, and global conflicts can create uncertainty.
- Federal Reserve Policy — Adjustments to interest rates or monetary policy influence borrowing and spending.
- Market Psychology — Fear and risk avoidance can drive investor decisions, sometimes amplifying market swings.

Power of Diversification

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	10 Years
Small Cap	26.6%	EM	Cash	Large Cap	Large Cap	REITs	Comdty	Large Cap	Large Cap	EM	Large Cap
Mid Cap	20.5%	Int'l Stocks	Bonds	REITs	EM	Comdty	Cash	Int'l Stocks	Mid Cap	Int'l Stocks	Mid Cap
Comdty	12.9%	Large Cap	TIPS	Mid Cap	Mid Cap	Large Cap	EW	Mid Cap	Small Cap	Large Cap	Small Cap
Large Cap	12.0%	Mid Cap	Large Cap	Small Cap	Small Cap	Small Cap	TIPS	Small Cap	EW	Comdty	Int'l Stocks
EM	10.9%	Small Cap	REITs	Int'l Stocks	TIPS	Mid Cap	Bonds	REITs	EM	EW	EM
EW	10.0%	EW	EW	EM	EW	EW	Mid Cap	EW	Comdty	Bonds	EW
REITs	8.6%	REITs	Small Cap	EW	Int'l Stocks	Int'l Stocks	Int'l Stocks	EM	Cash	Mid Cap	Comdty
TIPS	4.7%	Bonds	Mid Cap	Bonds	Bonds	TIPS	Small Cap	Bonds	REITs	TIPS	REITs
Bonds	2.4%	TIPS	Comdty	TIPS	Cash	Cash	Large Cap	Cash	Int'l Stocks	Small Cap	TIPS
Int'l Stocks	1.4%	Comdty	Int'l Stocks	Comdty	Comdty	Bonds	EM	TIPS	TIPS	Cash	Cash
Cash	0.1%	Cash	EM	Cash	REITs	EM	REITs	Comdty	Bonds	REITs	Bonds

Funds: EEM, VNQ, MDY, SPSM SPY, EFA, TIP, AGG, DJP, BIL
EW = Equal Weight of All Asset Classes

Pictured above is what is referred to as the Callen Chart.

This chart is emblematic of the usefulness of proper diversification within a portfolio. As you will see, throughout the years there is constant change from the top performing asset class. This is only listing the last ten years, let alone, years before this. It is also a stark reminder of why any one investor cannot be married to the latest trending asset class and be led astray thinking that this trend will continue for the foreseeable future.

This chart also illustrates how sitting in too much cash for long is a surefire way to underperform and leads to significant opportunity & purchasing power risk.