CAPITAL MANAGEMENT GROUP
of Wells Fargo Advisors

HLM Short Take – January 8, 2019

After the close on Friday, December 14th we stated in an email (the December 17th Hefter Report) that a crucial technical support level of the market had been broken. We estimated that the S&P 500 could drop another 5 to 8 percent. In the next 5 trading days, that is exactly what happened.

We now believe the correction is over, the bull market is intact, and the indices could have a very positive 2019. We also think that this may be the last run of what has been the longest bull market in history.

For now we are adding to the risk profile and buying equities in all categories including growth and international. We also believe this will be a much more favorable year for bonds. Accordingly, we are buying US corporates, global sovereign bonds, preferreds and some attractive yielding municipal bonds.

Investment and Insurance Products: ▶NOT FDIC Insured ▶NO Bank Guarantee ▶MAY Lose Value

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Disclosures

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Stocks are subject to market risk which means their value may fluctuate in response to general economic and market conditions, the prospects of individual companies, and industry sectors. Investments in equity securities are generally more volatile than other types of securities. There is no guarantee that dividend-paying stocks will return more than the overall stock market. Dividends are not guaranteed and are subject to change or elimination.

The prices of small and mid-cap company stocks are generally more volatile than large company stocks. They often involve higher risks because smaller companies may lack the management expertise, financial resources, product diversification and competitive strengths to endure adverse economic conditions.

Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. Investing in emerging markets accentuates these risks

Investments that are concentrated in a specific sector or industry may be subject to a higher degree of market risk than investments that are more diversified.

Investments in fixed-income securities are subject to market, interest rate, credit and other risks. Bond prices fluctuate inversely to changes in interest rates. Therefore, a general rise in interest rates can result in the decline in the bond's price. Credit risk is the risk that an issuer will default on payments of interest and/or principal. This risk is heightened in lower rated bonds. If sold prior to maturity, fixed income securities are subject to market risk. All fixed income investments may be worth less than their original cost upon redemption or maturity.

There are special risks associated with an investment in real estate, including credit risk, interest rate fluctuations and the impact of varied economic conditions.

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