



Why Did Stocks Drop?

Weekly Update – November 26, 2018

Last week was a tough one for markets. The S&P 500 dropped 3.79% and experienced its worst results during a Thanksgiving week since 1939.¹ While the index officially entered correction territory on Friday, it closed 10.2% below its most recent record high.² Meanwhile, the Dow and NASDAQ continued the downward trend, losing 4.44%, and 4.26%, respectively.³ International stocks in the MSCI EAFE also declined, posting a 1.12% loss.⁴

Reading these results may feel quite unpleasant and elicit concerns about what is ahead. As is often the case, the story behind the numbers can help us understand the complexity and what this performance means.

Why did stocks drop?

Plummeting oil prices were one of the biggest drivers behind the market's losses, as investors worried that too much oil is available.⁵ These concerns have contributed to oil experiencing seven weeks of losses in a row and dropping more than 20% so far this month.⁶

While oil was a key focus last week, many other details were also on investors' minds. Major tech companies continued to struggle and posted sizable losses for the week.⁷ In addition, the markets still don't know how the Brexit deal, political challenges in Europe, and ongoing trade tension will all work out.⁸

Examined together, these challenges can create questions about the strength of global growth.⁹

Will the market losses continue?

No one can predict the future, but a few data points and perspectives can help deepen understanding of the current environment. We believe the following two details are important for you to know:

- 1. Trading was light last week:** The days before and after Thanksgiving had trading volume that was much lighter than normal, which often happens during this time period.¹⁰ This lower volume can exacerbate pricing trends, such as the declines we saw with oil.¹¹ As a result, Friday's performance may be less significant than it seems on the surface.¹²
- 2. Black Friday shopping was strong:** Brick-and-mortar stores had people lined up for discounted buys, and online purchases were 28.6% higher than in 2017. The holiday season is very important for retailers, and these initial results indicate consumer spending may remain strong through year's end.¹³

In the coming weeks, we will gain a clearer understanding of many market influences. President Trump and Chinese President Xi are scheduled to meet this week at the G20 summit to discuss trade. Right now, the markets may be assuming these talks won't solve the trade tension and that an economic slowdown could be ahead. Investors may also doubt whether oil-producing countries can slow production fast enough to counter reduced demand.¹⁴

Other experts believe we are experiencing a disconnect between what investors are feeling and what is truly happening in the economy. As a result, a so-called "Santa Claus" rally could occur as consumer spending continues during the holiday season.¹⁵

But these perspectives are opinions, not a crystal ball. No one can say for sure how these complex scenarios will play out. Rather than rely on guesswork or headlines, we'll continue to look for clear trends and insight that support your long-term goals. If you have questions or want to talk about your current investments and strategy, we are here for you.

ECONOMIC CALENDAR

Tuesday: Consumer Confidence, FHFA House Price Index

Wednesday: GDP, New Home Sales

Thursday: Pending Home Sales Index, Jobless Claims

DATA AS OF 11/23/2018	1 WEEK	SINCE 1/1/18	1 YEAR	5 YEARS	10 YEARS
STANDARD & POOR'S 500	-3.79%	-1.54%	1.37%	7.84%	12.65%
DOW	-4.44%	-1.75%	3.23%	8.62%	11.68%
NASDAQ	-4.26%	0.52%	1.04%	11.69%	17.49%
INTERNATIONAL	-1.12%	-12.59%	-11.00%	-0.88%	5.55%
DATA AS OF 11/23/2018	1 MONTH	6 MONTHS	1 YEAR	5 YEARS	10 YEARS
TREASURY YIELDS (CMT)	2.25%	2.52%	2.67%	2.88%	3.05%

Notes: All index returns (except S&P 500) exclude reinvested dividends, and the 5-year and 10-year returns are annualized. The total returns for the S&P 500 assume reinvestment of dividends on the last day of the month. This may account for differences between the index returns published on Morningstar.com and the index returns published elsewhere. International performance is represented by the MSCI EAFE Index. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

How Do Your Finances Change in Retirement?

It's an obvious truth: Retirement changes your life. You are no longer obligated to fulfill the duties of regular employment. Other changes reveal themselves in more subtle ways, both positive and negative. You are more prone to experience health challenges. You have more free time to develop your hobbies, to do more (or less) household chores, and to discover more opportunities for recreation or charitable pursuits.

You may look forward to retirement with excitement. Or trepidation. The future can be rosy or bleak, depending on how well you planned financially for retirement.

Let's explore the changes:

1. You exchange regular paychecks for other retirement income.

Presumptively, Social Security tops the list of income sources for retirees. Nearly 63 million people receive Social Security benefits.¹⁶ The average monthly benefit for retired workers is \$1,413.¹⁷ Nearly 90% of people 65 and older receive benefits, which represents about a third of their incomes.

On the other side of the ledger, financial experts project average retirement expenditures:¹⁸

- **Housing: \$1,322.** That figure includes mortgage, property taxes, insurance, and other costs.
- **Transportation: \$567.** That includes gas, insurance, and maintenance.
- **Health care: \$499.** This cost may rise over the years, at least until the age of 75 when it drops by about \$30 a year. Medicare picks up the largest portion of total medical expenses in retirement.
- **Food: \$483.** Food costs generally drop by 20% in retirement.
- **Personal insurance: \$237.** If members in your household remain gainfully employed (at least part time), they'll still have to pay taxes for Social Security and other employment-related expenses.
- **Charity contributions: \$202.** Retirees are generally more generous than younger people.
- **Entertainment: \$197.** Some things never change. Retirees spend about as much on entertainment as their children and grandchildren.

Planning for retirement and seeking advice from a financial professional are critical to your pursuit of a comfortable retirement.

2. Your health-care costs go up.

Part of retirement planning involves estimating your life expectancy.¹⁹ If you retire at 65, your chances of living, on average, another 10 years is 76%; another 20 years, 38%; or 30 years, 5%. At a retirement age of 70, your life expectancy in retirement declines: another 10 years, 65%; 20 years, 20%; or 30 years, 1%. The average overall retirement length is 18 years.

The average lifetime health-care costs for a healthy 65-year-old couple—with Medicare and supplemental coverage—will be \$266,589.²⁰ This estimate doesn't include long-term care expenses.

Nearly a quarter of health-care costs are for prescription drug expenses, which includes co-pays and other expenses not covered by Medicare Part D.²¹

Analysts estimate couples retiring today will need \$280,000 to cover health-care and medical costs.²²

3. You must withdraw money from your retirement savings.

Once you retire, you can begin making withdrawals from your retirement savings accounts. Certain accounts have a required minimum distribution (RMD) which is the minimum amount you must withdraw from those accounts each year. You generally have to start taking withdrawals from your IRA, SEP IRA, SIMPLE IRA, or retirement plan account when you reach age 70½.²³

The Securities and Exchange Commission provides withdrawal calculators to help you better plan your retirement account distribution.²⁴

If you'd like more information about your financial options or to learn more about your financial needs, we're happy to help.



QUOTE OF THE WEEK

“Believe you can, and you’re halfway there.”

— Theodore Roosevelt



Five-Spice Beef Stew



Serves 6

Ingredients:

2 pounds boneless beef bottom round, trimmed and cut into 2-inch chunks
Kosher salt
Pepper
2 tablespoons canola or vegetable oil
4 cups low-sodium beef broth
4 medium shallots, quartered
3 cloves garlic, finely chopped
1 2-inch piece ginger, finely chopped
1 teaspoon Chinese five-spice powder
3 star anise pods
1 small cinnamon stick
2 tablespoons tomato paste
12 ounces medium carrots (about 3), peeled and cut into 1-inch pieces
12 ounces medium parsnips (about 3), peeled and cut into 1-inch pieces
2 small purple-topped turnips, cut into 1-inch pieces
1 (15-ounce) can crushed tomatoes
1 large bunch spinach, thick stems discarded
2 tablespoons fish sauce
1 tablespoon lime juice
Cilantro and thinly sliced red chile, for topping

Directions:

1. Preheat the oven to 325°F.
2. Season the beef with a ½ teaspoon each of salt and pepper.
3. In a large, thick-walled cooking pot (Dutch oven), heat 1 tablespoon oil on medium heat.
4. Cook the beef in batches, 6-8 minutes, until browned. Then put in a bowl.
5. Mix ½ cup broth into the pot, scraping out browned bits, 1 minute. Pour juices into the bowl with the beef.
6. Turn down the heat to medium. Add 1 tablespoon oil to the pot with the shallots. Cook while occasionally stirring, until it is golden brown, 3-4 minutes.

7. Stir in garlic, ginger, five-spice powder, star anise, and cinnamon. Cook, 2 minutes.
8. Stir in tomato paste. Cook, 1 minute.
9. Put the beef and the juices in the pot with carrots, parsnips, turnips, tomatoes, and the rest of the broth (3½ cups). Boil then cover; bake until the beef is tender, 1½-2 hours.
10. Take out of the oven. Throw away the star anise and cinnamon. Mix in spinach, fish sauce, and lime juice.
11. Top with cilantro and chile. Serve.

Recipe adapted from Good Housekeeping²⁵



No Time for Working Out? Here's How to Make Time

Busy. Busy. Busy. And no time to work out.

You know exercise is good for you, but your schedule is packed. You simply can't find the time to do it.

There's hope. Fitting exercise into your busy schedule is a little easier than you might think.

First up, exercise's little secret: A short burst of exercise can deliver big dividends. (A warning: If you're a man over 45, a woman over 55, or have health problems, consult a doctor first before proceeding on an exercise program.)

Here are some easy exercises to get you started:

- The exercise ball is great—and easy—for building strong thighs. Put the ball between your lower back and a wall with your feet in front of you and shoulder-length apart. While keeping your body straight, lower your body as if you were sitting down, then raise yourself back up. Do 10 repetitions.
- You can do squats without a ball. Bend your legs and lower yourself as if you were sitting down. Keep your knees over your ankles, but don't allow your knees to go too far forward. Do 10.
- The lunge involves you taking a long step forward with one leg, then lowering your body toward the floor. Keep your front knee aligned with your ankle. Step back and then do the other leg. Do 10 repetitions with each leg.
- The deadlift with a barbell or free weights is as easy as bowing. Stand straight while holding the bar at your waist. Bend over with your legs straight but without locking your knees. Do 10.
- The pushup is fantastic for your upper body. Make sure you have the correct form with your toes on the floor and both hands about shoulder width apart. Do 10.

- The bent-over row builds strong upper back muscles and your biceps. Do the exercise in a bent-over position with your back flat. Place your knee and your hand on a bench for support while the other lifts a dumbbell or free weight. Do 10 times.

You can do other simple exercises to get in shape. Make sure you maintain proper form and fluid motion.

Tips adapted from WebMD²⁶



Stop Your Cat from Killing Birds

It may seem like a throwback to ancient days in the wild, but domestic cats killing birds is a bigger problem than most of us may realize.

According to National Wildlife surveys, free-ranging household cats are killing nearly 4 billion birds and up to 22 billion mammals per year in the United States.

While the habit may seem to fit naturally into the ecological cycle, domestic cats acting on their instincts are having a negative impact on the environment. In fact, “killer” cats are leading to the potential extinction of several bird species and small mammals.

Keeping cats indoors may help resolve the problem on several fronts: It helps protect wildlife and is better for the cats. Outdoor cats are subject to predators and disease as well.

Here are some tips for a happy and healthy cat:

- Buy cat toys to keep your cat active indoors.
- Make a bird-viewing station for your cat.
- You can hide treats or purchase a cat puzzle to make it more challenging for your cats to get them.
- Get your cat a buddy. Two cats can keep each other busy or active.
- Catnip may help keep your cat happy and active.
- Indoor cat trees enable your cats to climb.
- Spaying and neutering your cats can calm their wanderlust.

Tip adapted from EarthShare²⁷

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Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia, and Southeast Asia.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

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Consult your financial professional before making any investment decision.

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¹ <https://www.bloomberg.com/news/articles/2018-11-22/asia-stocks-to-slip-end-weekly-drop-pound-jumps-markets-wrap?srnd=markets-vp>

<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=SPX®ion=usa&culture=en-US>

² <https://www.reuters.com/article/us-usa-stocks/wall-street-drops-sp-500-confirms-correction-idUSKCN1NS1FA>

³ <http://performance.morningstar.com/Performance/index-c/performance-return.action?t=DJI®ion=usa&culture=en-US>
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⁴ <https://www.msci.com/end-of-day-data-search>

⁵ <https://www.reuters.com/article/us-usa-stocks/wall-street-drops-sp-500-confirms-correction-idUSKCN1NS1FA>

⁶ <https://www.reuters.com/article/us-global-oil/oil-plunges-nearly-8-percent-despite-talk-of-output-cut-idUSKCN1NS012>

⁷ <https://www.cnn.com/2018/11/23/stock-markets-dow-set-for-losses-as-trading-resumes-for-half-day.html>

⁸ <https://www.bloomberg.com/news/articles/2018-11-22/asia-stocks-to-slip-end-weekly-drop-pound-jumps-markets-wrap?srnd=markets-vp>

⁹ <https://www.bloomberg.com/news/articles/2018-11-22/asia-stocks-to-slip-end-weekly-drop-pound-jumps-markets-wrap?srnd=markets-vp>

¹⁰ <https://www.marketwatch.com/story/when-does-the-stock-market-close-on-black-friday-2018-11-23?dist=markets>

¹¹ <https://www.marketwatch.com/story/6-key-reasons-the-bottom-is-falling-out-of-oil-prices-on-black-friday-2018-11-23>

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- ¹² <https://www.reuters.com/article/us-usa-stocks/wall-street-drops-sp-500-confirms-correction-idUSKCN1NS1FA>
- ¹³ <https://www.marketwatch.com/story/stocks-poised-to-open-lower-in-black-friday-trade-notch-weekly-loss-of-more-than-3-2018-11-23?dist=markets>
- <https://www.reuters.com/article/us-usa-stocks/wall-street-drops-sp-500-confirms-correction-idUSKCN1NS1FA>
- ¹⁴ <https://www.reuters.com/article/us-global-oil/oil-plunges-nearly-8-percent-despite-talk-of-output-cut-idUSKCN1NS012>
- ¹⁵ <https://www.marketwatch.com/story/stocks-poised-to-open-lower-in-black-friday-trade-notch-weekly-loss-of-more-than-3-2018-11-23?dist=markets>
- ¹⁶ https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/
- ¹⁷ <https://www.ssa.gov/news/press/factsheets/basicfact-alt.pdf>
- ¹⁸ <https://www.usatoday.com/story/money/personalfinance/retirement/2018/05/31/what-does-an-average-retirement-cost/35455427/>
- ¹⁹ <https://www.forbes.com/sites/simonmoore/2018/04/24/how-long-will-your-retirement-last/#253097a07472>
- ²⁰ https://www.hvsfinancial.com/PublicFiles/Data_Release.pdf
- ²¹ https://www.washingtonpost.com/news/get-there/wp/2016/08/22/medical-costs-for-retirees-still-rising/?utm_term=.aab6db364a51
- ²² <http://time.com/money/5246882/heres-how-much-the-average-couple-will-spend-on-health-care-costs-in-retirement/>
- ²³ <https://www.irs.gov/retirement-plans/retirement-plans-faqs-regarding-required-minimum-distributions>
- ²⁴ <https://www.investor.gov/additional-resources/free-financial-planning-tools/401k-ira-required-minimum-distribution-calculator>
- ²⁵ <https://www.goodhousekeeping.com/food-recipes/healthy/a47520/five-spice-beef-stew-recipe/>
- ²⁶ <https://www.webmd.com/fitness-exercise/ss/slideshow-30-minute-workout-routine>
- ²⁷ <https://www.earthshare.org/indoorcats/>

Cadent Capital Advisors, LLC

Tulsa

4525 East 91st Street
Tulsa, OK 74137
(918) 935-3450

Oklahoma City

14528 Hertz Quail Springs Parkway
Oklahoma City, OK 74134
(405) 254-3122

Toll Free 1-877-460-9104

www.cadcapital.com