

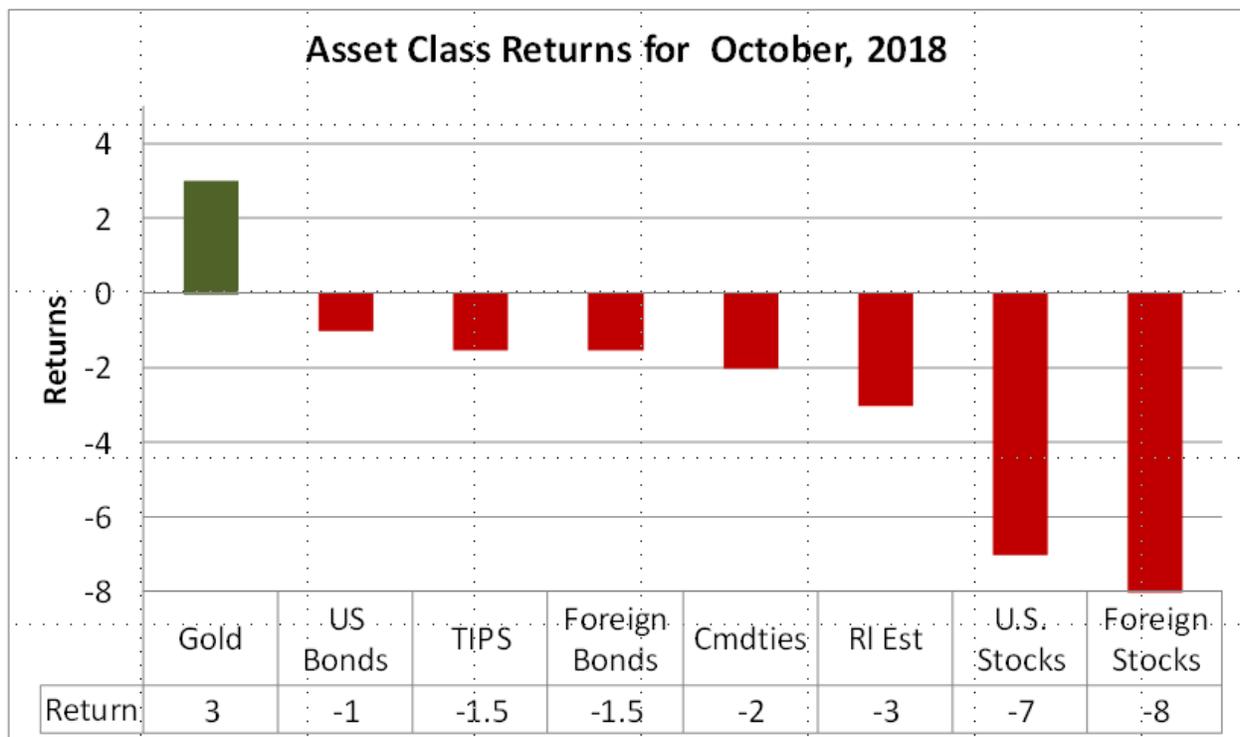


Did You Feel That? Assessing October's Damage.

That hurt, but not too much. Foreign investors felt it more than we did here in the U.S.

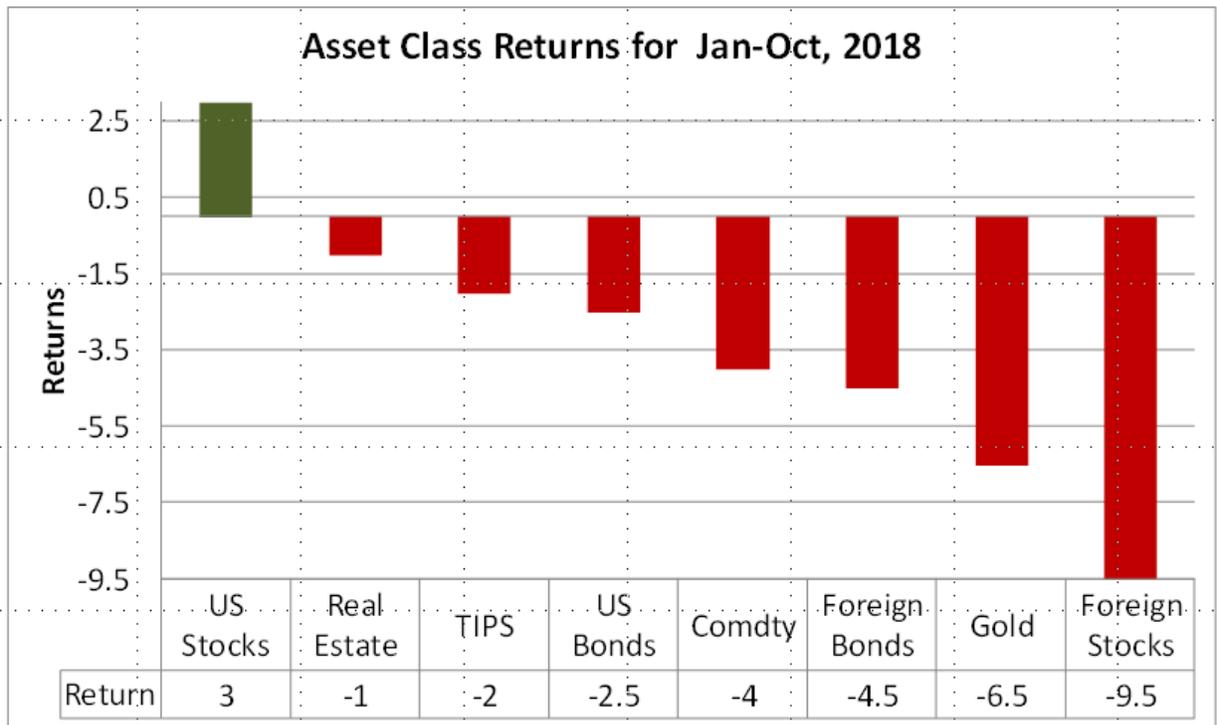
Growth stocks suffered the most, but still maintain their dominance for the year to date.

This past October wasn't pretty. Almost every asset class lost value in the month. Only gold made it through unscathed.



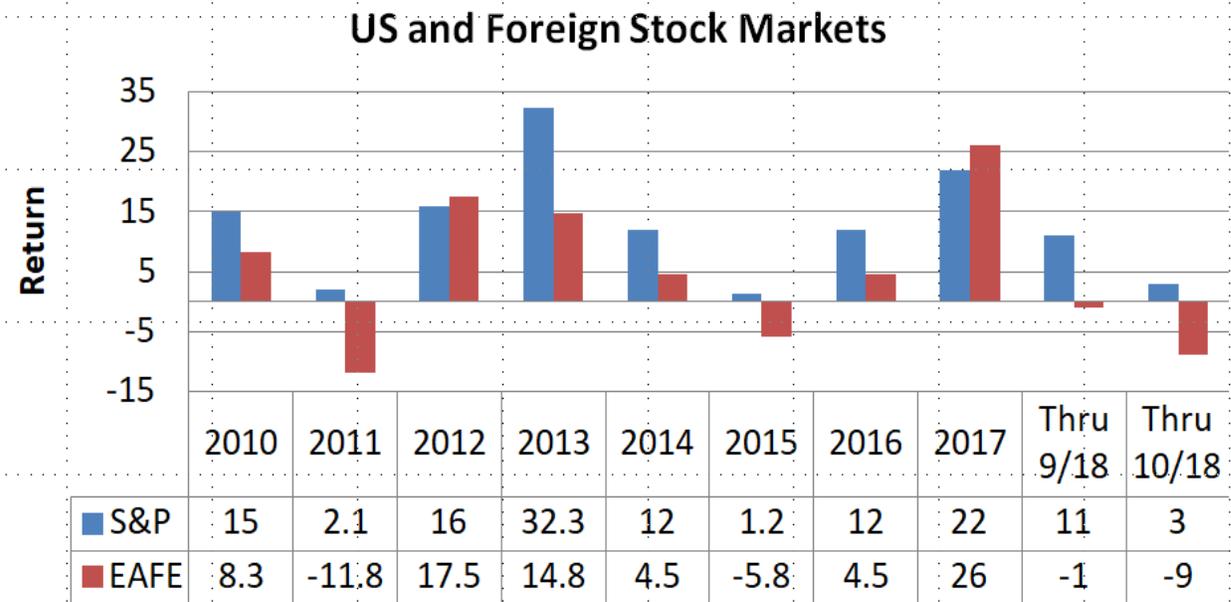
Source: The Capital Spectator

But the year-to-date picture is substantially different. U.S. stocks are the only asset with a positive return.



Source: The Capital Spectator

In the case of the U.S., the market simply took back some of its previous gains for the year, so we're still up 3% in 2018. By contrast, Foreign markets compounded their previous losses, so they are down 9%. It's looking like 2011 all over again. The U.S. continues to dominate world markets.



In the following we examine the performances of styles and sectors in the U.S. We'll cover foreign markets in a future commentary. No surprise, value stocks defended in October, but growth stocks remain in favor for the year. We use [Surz Style Pure Indexes](#)[®] to make these determinations. Please enjoy these indexes for now because they will be discontinued next year unless we find a partner(s).

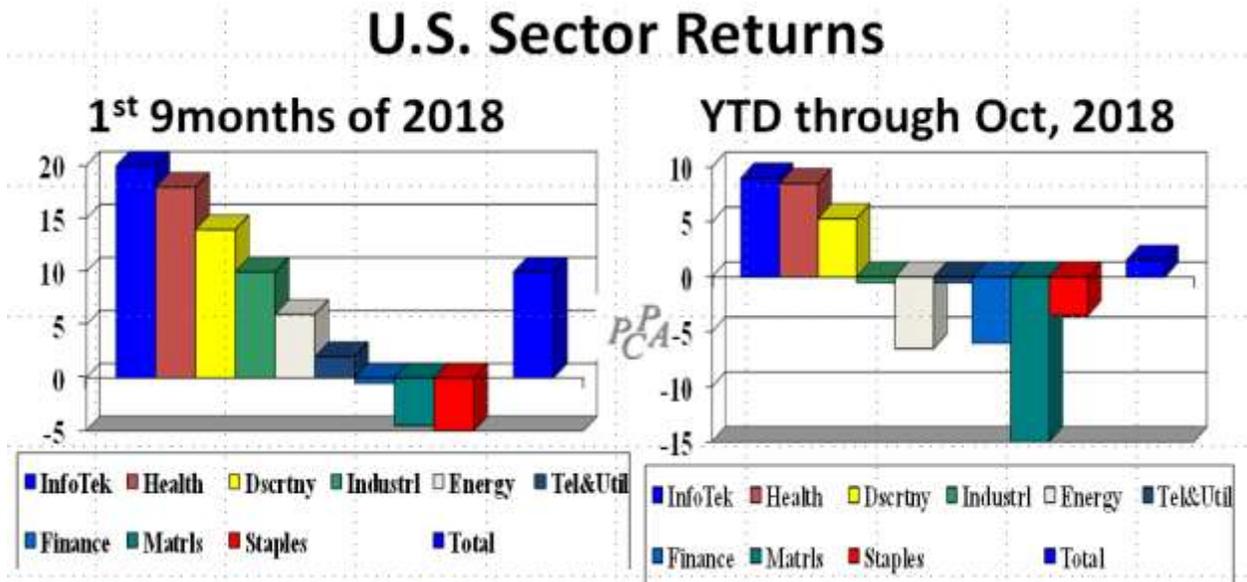
U.S. Stocks

We begin by contrasting year-to-date returns through September, 2018 to those through October to assess the impact of October on styles and sectors. How did October impact market leadership? What changed?

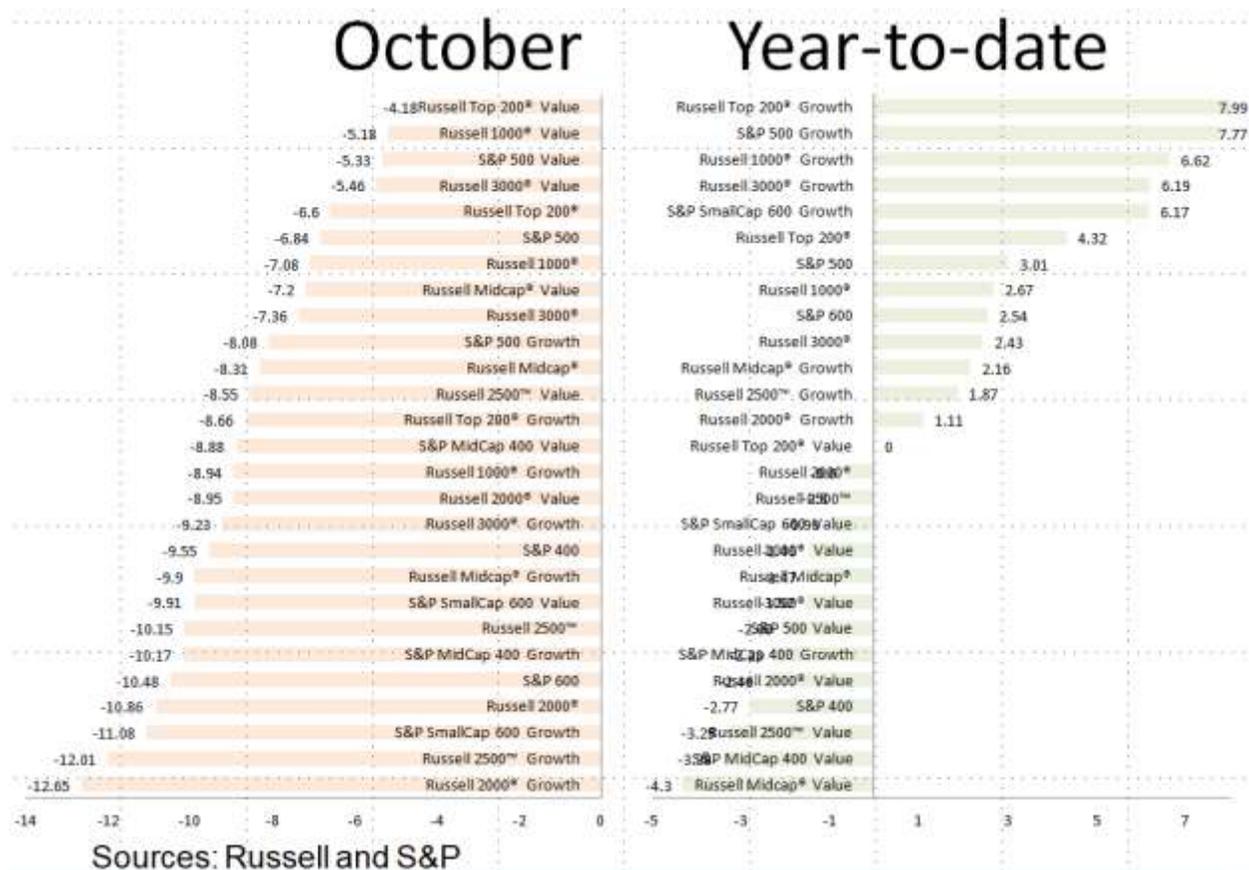
Large companies have dominated through October, whereas they performed like mid and small through September. The value style remains out of favor, especially smaller value companies. Mid cap core has surprised with a 4.5% loss through October. Growth remains in favor, especially larger growth companies. Smaller growth companies gave up much of their previous gains in October.



On the sector front, the 4 leading sectors through September have maintained their leadership through October. Energy and material companies were particularly hard hit in October, moving them into last place through October.



On the popular index front, larger value companies defended best in October, but large growth continues its dominance through the year to date.



What happened to 401(k)s?

The biggest deal in 401(k)s is target date funds at more than \$2 trillion, representing about a third of all 401(k) assets. TDFs have lost about 2% this year, due primarily to diversifying assets. All TDF holdings that are not U.S. stocks have lost value this year. For more details, please see [Year-To-Date Target Date Fund Performance: How Much Have You Lost In Your 401\(K\)?](#).

Now What?

October was simply a case of market jitters. There was no particular bad news, but there's plenty to be worried about like Quantitative Tightening, tariff wars, the overpriced U.S. stock market, natural disasters, etc. Some will "buy the dip" but time will tell if October was just a passing blip or the beginning of a correction.

My biggest concern is our enormous debt. Debt was the cause of the 2008 meltdown, and it's much larger today, although it has shifted from households to governments. Please see [The United States Is Even More Broke Than We Think](#). I'm most concerned about our Baby Boomers because they could be severely hurt. Please see [How Will 75 Million Boomers Avoid The Next Meltdown And Retire With Financial Security?](#)

Ronald Surz is president of PPCA and Target Date Solution (TDS) that holds patent on the Safe Landing Glide Path® (SLGP) tracked by the SMART Fund® Target Date Index collective investment trust on Hand Benefits and Trust, Houston. The SLGP is also being tracked by the OPEIU MEP 401(k) Plan. TDS also provides an on-line application called [Age Sage](#) that facilitates do-it-yourself target date funds.