Dear clients,

Yesterday saw the major U.S. stock bourses suffer the worst losses since February. Today, they followed suit. While it may be hard to ignore the financial press's headlines, we would like to remind everyone of a few pieces of information that should allow most angst to subside.

Don't focus on the large number of point drops in the major averages such as the DOW. Instead, pay attention to the percentage changes. The major indices, after enjoying the longest bull market ever, have grown much larger. This means the point movement, both up and down, will be larger on an absolute basis, but the percent movement is the same as ever.

As we've written about before, since WWII, the number of ordinary 5-10% pullbacks averages almost 3 per year. This is the second this year, and after today's close the S&P 500 is now down 6.6% and the NASDAQ is down 9.6% from the recent highs. Please don't succumb to panic and panic selling as you are likely to get whipsawed. Emotions have no place in investing and that is why we have researched, developed, tested and implemented rules designed to avoid whipsaw type mistakes. If the losses continue, our systems are poised to act, but we will not anticipate, try to time the markets or succumb to our own emotions. With the exception of 1987, bear markets take years to unfold. The last two were almost three years in length. Typically, there is plenty of time to exit before large, devastating losses are endured.

Ordinary pullbacks and even corrections (10-20% declines) tend to be short lived. The average duration of a pullback is less than a month and a correction averages about 4 months. It is not enjoyable to endure, but if your investment time horizon is measured in years or decades, one must keep this in perspective.

With all this being said, we have written and blogged extensively about the issues roiling the markets. Today's Business Section headline reads: "Trade tensions, interest rate fears batter stocks". Well, no kidding. The combination of the two is having a profound effect on the world's economies, on current and future earnings and thus the markets' reaction. If you'd like to read more on our thoughts about the Federal Reserve's actions please click here. Similarly, we have a short paper on tariffs to read here. No one knows where this pullback will take us. We do know that we are monitoring our systems daily and that we are prepared to act if, and only if necessary. Until then we too will turn off CNBC and let their headlines shock and awe others.

Should the markets continue to deteriorate, we will follow our rules-based systems and continue to update you as needed. In the meantime, please call us if you have any questions or concerns.

As always, we thank you for your business.

David M. Haviland, Portfolio Manager and Managing Partner

For more insights like these, visit BCM's blog at blog.investbcm.com

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Sources & Disclosures

The views and opinions expressed throughout this presentation are those of our Portfolio Manager as of October 11th, 2018. The opinions and outlooks may change over time with changing market conditions or other relevant variables.

As with all investments, there are associated inherent risks including loss of principal. The portfolio manager maintains full discretion over the portfolio.