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## Local experts explain what's going on with the stock market

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See if you can follow this. Wall Street is coming off its worst week since 2015, and had another terrible day Monday when the Dow Jones industrial average dropped another 1,175 points.

Then the market recovered Tuesday and is performing well today.

What's going on and what should you do about it? We asked local experts to weigh in.

### **Jonathan Amoia, a partner at Buffalo-based Sandhill Investment Management**

"It has been a bizarre three days ... The sell-off began on Friday when payroll data came in much better than expected. Generally, good economic news like this raises all boats, but this particular outperformance was viewed as too good. This caused the market to fear a faster increase in interest rates than anticipated. When interest rates are higher, companies have to spend more on debt payments and have less cash to internally invest or issue dividends to shareholders (bad for stocks). Once selling began, emotion and electronic trading added velocity and created panic. In truth, market fundamentals have not changed in the past week, and all signs point to a constructive environment — even with marginally higher rates. Warren Buffet says to be greedy when others are fearful, and in 20/20 hindsight, (Tuesday) morning provided an advantageous entry point for the faithful and patient investor.

As a stock investor, your focus has to be 5 or 10 years down the road, and the probability that the market will be higher 5 or 10 years from now — based on history — is high. The portion of your investments that will be used within the next five years for consumption should be held in cash or bonds, and that is how to mitigate short-term volatility. When the market drops into correction territory it is a rare opportunity to buy some great companies on sale with the long-term in mind.

Your (investment) strategy should be based on your age, time horizon, and income need projections. If you believe that no one can predict what the market will do next (how many investment professionals predicted stocks to be up 20%+ in 2017?), sell-offs like these are just what investors should be waiting for."

### **Steven Gattuso, senior portfolio manager and research manager at Buffalo-based Courier Capital; assistant professor of economics and finance at Canisius College and executive director of its Golden Griffin Fund**

"The market has been on almost an incessant rise up. There was actually no correction in 2017 which is an anomaly rather than the norm. In addition, the lack of volatility in the markets recently has caused a general complacency. The volatility that we are seeing now is more like normal but feels unusual given that recent history.

The markets are reacting to the general realization that inflation may be on the increase and with it comes a more aggressive Federal Reserve (which may act to increase interest rates). The market is repricing in light of these higher



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"Warren Buffet says to be greedy when others are fearful, and in 20/20 hindsight, (Tuesday) morning provided an advantageous entry point for the faithful and patient investor," said one financial professional.

interest rates. This is also reflecting the fact that the market may have been over its skis a bit since the election. I would expect volatility to continue but economically the economy is sound and that hasn't changed. We are still creating jobs and the unemployment is very low. In addition, corporate profits continue to be positive and the new tax law is allowing companies to pay out bonuses to employees and invest in their businesses.

I do not believe a change in investment strategy for investors is warranted unless their personal situation or time frame has changed. If you were disciplined at rebalancing your investment portfolio periodically then you should still be on your target. Even though this looks hard on an absolute basis, on a percentage change basis it is normal. In the end, even after these declines, we are only back to where we were in late November 2017."

**Dan Miner**

Reporter

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