

## 2018 Forecasts

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**“The general is well aware that your division’s forecasts are worthless. However, they are required for planning purposes.”**

Kenneth Arrow, a Nobel Memorial Prize winner in 1972 who recently passed away in 2017, began his career in the Weather Division of the Army Air Force during World War II. His division was in charge of predicting future weather patterns. Given his economic and statistician background, he recommended to his general that his unit be disbanded because they were no better at predictions than historical averages for the day in question. As the quote above suggests, the division remained intact.

This story has application to our investment world today. The news is filled with predictions of what the short-term market movements will be. However, it would be wise to take these forecasts for what they are: best guesses. Just like the general told Kenneth Arrow, the general public will keep asking for them. Based on statistics, someone will get it right. The issue is what looks inevitable in retrospect, looks uncertain in the moment.

The obvious question then becomes if short-term forecasts are to be ignored, what should investors do? Should I get in or out of the market because of this recent market movement or news story? The answer is the markets are far too uncertain in the short-term to make such indisputable statements such as “in or out” of the stock market.

Here is where diversification and sticking to your investment plan comes into play. The prudent thing at this point is to reallocate some of the growth back into the fixed income portion of the investment portfolio (and be thankful that you didn’t try to guess the direction of the market fourteen months ago!).

Also, remember that if all your individual investments are moving in the same direction at the same speed, then your portfolio is not diversified. Or another way of saying it, if you are not mad at any individual portion of the portfolio, your portfolio is not diversified.

### **2017 Market Review**

[Here](#) is the link to the 2017 Market Review. In here you will find more detailed analysis and summary of 2017. Please do not hesitate to contact us with any questions about the report or your individual portfolio and plan. We will practice what we preach and not try to guess where the market is going in the short-term, but rather discuss how your current portfolio fits in with your long-term plan.

Best wishes for a healthy and prosperous 2018!

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