



Berkshire

DIVIDEND STRATEGY

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"Casual Friday" Commentary

Casual Friday: "9 Reasons Why" – December 7th, 2018

Looking for a clear understanding of the recent sell off? Good luck (sincerely) piecing it all together for clients - "No two traders I spoke to corroborated each others' account as to what the key catalyst was to blame. This goes to show that no one, not even those with their eyes and ears closest to the pulse of the market really knows what the true culprits were." - This insight was provided by Brad Olesen of Bloomberg, who cited 9 different potential catalysts for the sell off this week:

<https://www.bloomberg.com/news/articles/2018-12-04/trade-yields-brexite-culprits-abound-for-rout-in-u-s-stocks>

Was it the yield curve? Was it Brexit? Was it the 'technicals' broke down? Was it 'Tariff Man'? Was it forced sales by 'quant funds'? We actually thought of a few others that didn't make the list such as: the nasty slide in the energy and commodity complex and the ongoing correction in growth stocks. Human nature (and clients are human-especially during corrections!) have advisors seeking clear cause and effect answers. Sometimes the answers are unclear. And, if you can pinpoint a clear reason, will that reason persist?

Take for example the recent yield curve dynamic – it has been well publicized that an inverted yield curve is usually a precursor/cause of a recession. This has investors on edge. But what is obvious now? Is it obvious the curve will continue to flatten, causing a recession (because of tighter monetary conditions)? Or is it obvious recent weakness and slightly more dovish Fed comments will put downward pressure on the two year re-steepening the curve. The Fed Funds futures are starting to price in a probability that the Fed won't hike even one time in 2019.

Trading off macro events is tricky – especially now. Yogi Berra was right "Making predictions is difficult, especially about the future." What's more visible? U.S earnings and dividends continue to increase, valuations have decreased, and recent volatility has reset expectations in a meaningful way.

Equity Income Returns in a Global Context?

After a long multi-year run, equity income investors have faced a fresh set of headwinds in 18' and returns across the asset class largely reflect those challenges. But as our advisors head in to year-end client reviews, putting returns in a global context may prove effective. Many world indices, including commodities are down YTD:

[Global Markets/Commodities Performance YTD – 12.7.18](#)

Beyond Investment Acumen

Advisors are chartered to demonstrate value beyond investments in client relationships. Year-end offers a great opportunity to do just that. Wealthy people are thinking about taxes - especially small business owners! Here's some quick tax guides to help navigate through these conversations and demonstrate value:

[End-Of-Year Contribution And Distribution Planning For Tax-Favored Accounts](#)

[Year-End Tax Planning Opportunities For Cash-Basis Small Business Owners](#)

[Coordinating Contributions Across Multiple Defined Contribution Plans](#)

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Dividend Highlights

- Dividend growth can often provide transparent insight into a company's fundamentals and vitality.
- Dividend growth can provide an attractive stream of increasing cash flow to satisfy many financial objectives.

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