ARMORY
CAPITAL MANAGEMENT, LLC

Armory Capital Management, LLC
110 West Fayette Street, Suite 900
One Lincoln Center
Syracuse, NY 13202-1387
315.701.6452
www.armorycm.com

THE BUTTONWOOD

Our Thoughts On Investment Trends,
An Informational Newsletter

1st Quarter —2018

What the Heck Was That??

There is an old story about a down and out actor who finally gets a two bit, one line role in a play. His role is very simple. When he hears the roar of a cannon he needs only to proclaim ***"Hark I hear the cannons roar"***. The actor knows it is coming, he has rehearsed his part endlessly. He knows it will be a loud noise, unmistakably a cannon, a 6 word line. But the actor is somewhat hurried and distracted, he arrives on set late, he's rushed to the stage just as the cannons go off. He is so preoccupied and surprised by the sudden loud noise, that he shouts ***"What the h_ _ _ was THAT?"***

The cannons roared on Wall Street in late January and throughout February and March in the form of a market correction. Ah yes, the market correction. Well, everyone knew it was coming at some point, it had to happen, everyone was prepared, stocks had risen over a long period of time without a 10% plus correction. And when stocks as measured by the Dow Jones Industrial Average and the S&P 500 corrected by 10.36% and 10.16%, respectively, from January 26th to February 8th, it seemed as though many investors, Wall Street talk show hosts/ hostesses and daily financial publications said ***"What the hell was THAT?"***

For the quarter, the Dow Jones Industrial Average finished at 24,103.11, down 2.5% and down 9.44% from the all-time high set on January 26th. The widely followed index tripped into correction territory (10% or more drop) on 2/8/2018 when it closed down 10.36% from the all-time high made just 9 trading days earlier. Two of those trading days saw drops of more than 1,000 points, the equivalent to a 4% plus drop. As the following chart illustrates, the Dow Jones was down 11.58% from the all-time high on 1/26/2018 to 3/23/2018, a 39 day stretch. Through April 12th it is down 8.01% and is at 52 days and counting.

History of the Buttonwood

On May 17, 1792, twenty-four merchants gathered under a Buttonwood tree at 68 Wall Street. There they signed the Buttonwood Agreement, creating the first investment community, which later evolved into the New York Stock Exchange.

Correction and Recovery Data – last 3 Corrections

Dates	Direction	DJIA from	DJIA to	Pts Mkt up/down	% Mkt up/down	Trading days
5/19/15 - 8/25/15	Correction	18,312.39	15,666.44	-2,645.95	-14.45%	98
8/25/15 - 12/1/15	Recovery	15,666.44	17,888.35	2,221.91	14.18%	98
12/1/15 - 2/11/16	Correction	17,888.35	15,660.18	-2,228.17	-12.46%	72
2/11/16 - 4/13/16	Recovery	15,660.18	17,908.28	2,248.10	14.36%	62
1/26/18 - 3/23/2018	**Correction**	**26,616.71 ***	**23,533.20**	**-3,083.51**	**-11.58%**	**39**
1/26/18 - 4/12/2018	**Correction**	**26,616.71 ***	**24,483.05**	**-2,133.66**	**-8.01%**	**52**

* All time high

Some interesting statistical data surrounding the Dow includes the following:

- There were 25 trading days where the DJIA moved up or down more than 1% in Q1 2018 compared to just 10 for all of 2017.
- The Dow was up by 7.68% and had registered a new all-time high by January 26th.
- From the first trading day of 2018 through the date of the all-time high (1/26/2018) there were only 4 down days.
- For the quarter there were 33 up days (54.1%) and 28 down days (45.9%).
- It should be noted that the S&P 500 followed a very similar track.

A Look beyond the US stock market offers some interesting observations. The next chart shows the performance of 15 stock and bond indices, 11 economic sectors, and 4 widely followed commodities. As you will see, there were very few areas (6 out of 30) over the first quarter that posted positive numbers. This tells us that the correction in US stocks was only a small part of a larger correction taking place across a broad spectrum of stock and bond indices and sectors of the economy. What is interesting, and encouraging to this point, is that no index or sector has seen a correction of 10% or more through the end of Q1 2018. Intra-quarter there were 10% moves to the downside but these were followed by recoveries off of those lows.

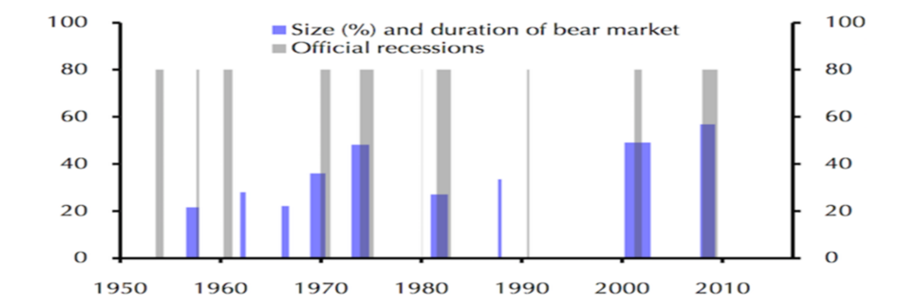
Index	Q1 2018	Sector/Commodity *	Q1 2018
DJIA	-2.50%	Consumer Discretionary	2.80%
S&P 500	-1.20%	Consumer Staples	-7.80%
NASDAQ	2.30%	Energy	-6.60%
Russell 200	-0.40%	Financials	-1.40%
STOXX Europe	-4.70%	Health Care	-1.60%
Japan	-5.80%	Industrials	-2.00%
Hang Seng	0.60%	Info Tech	3.20%
US AGG Bonds ETF	-1.90%	Materials	-6.00%
IG Corp Bonds ETF	-3.40%	Real Estate	-5.80%
HY Corp Bonds ETF	-1.90%	Telecom	-8.70%
1-3 Yr TSY ETF	-0.40%	Utility	-4.20%
3-7 Yr TSY ETF	-1.30%	Crude Oil	8.53%
7-10 Yr TSY ETF	-2.30%	Gold	0.95%
10-20 Yr TSY ETF	-2.70%	Natural Gas	-4.55%
20+ Tr TSY ETF	-3.90%	Silver	-5.22%

* **Source: S&P Dow Jones Indices**

John Higgins, Capital Economics Chief Market Economist said "major declines in the S&P 500 – that is to say, bear markets in which prices drop by at least 20% have only tended to occur in, and around, recessions." The latest RBC Global Insights recession chart (above) does not support the likelihood of a recession in the near to intermediate term.

Since 1950 (see chart below), the US has seen 9 bear markets and 10 recessions. In most cases a recession and bear market have occurred in tandem. The most notable time when a bear market did not occur in tandem with a recession was the 1987 flash crash when the Dow Jones plunged by 22% in one day. In contrast there have been three recessions that were not accompanied by a bear market.

CHART 1: US S&P COMPOSITE BEAR MARKETS & US RECESSIONS

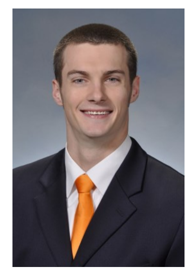


Sources – Bloomberg, NBER, Capital Economics

In conclusion, as we said last quarter, 2018 will be a more volatile year than 2017, and we are probably not going to see similar returns. Yet the fundamentals that determine the direction of stock prices are still favorable. While 2018 will most likely be a year that requires patience there is still a chance for you to ***"Get Rich Slow"***

CONTACT US

Henry J. Wildhack II
President, Investment Advisor
P 315.701.6415
hwildhack@armorycm.com



Matthew J. Abbott
Investment Advisor
P 315.701.6331
mabbott@armorycm.com

For more information about our investment philosophy and approach, please visit www.armorycm.com.

7 Key Tenets to Successful Long-Term Investing

At its core, we believe that successful investing requires a consistent investment philosophy and discipline. We believe that buying and holding quality investments over a long period of time is the foundation for a successful investment program. Here are our beliefs for successful investing:

1. **GET RICH SLOW**
2. BELIEF IN CAPITALISM, FREE ENTERPRISE, & AMERICA
3. A DISCIPLINED INVESTMENT PHILOSOPHY IS CRITICAL
4. DON'T OVERPAY FOR UNDERPERFORMANCE
5. COMPARE PERFORMANCE CORRECTLY
6. TAXES ARE IMPORTANT
7. MANAGERS MANAGE

Patient Investing. Steady Returns.

Successful investing is an elusive realty for many people. It should not be that way.

Investors who are willing to embrace a long-term time horizon, adhere to a conservative investment philosophy, and seek proper guidance will be rewarded. In the short run, the markets may seem volatile, in the long run, the trend is favorable for those willing to hold quality investments over time.

At ACM we believe that the underlying principles of sound investment should not alter from decade to decade. The likelihood for success is overwhelmingly in your favor if you have the required patience and proper guidance.

Please call us, we'd like to help you ***Get Rich Slow***.

Armory Capital Management, LLC
110 West Fayette Street, Suite 900
One Lincoln Center
Syracuse, NY 13202-1387

www.armorycm.com

ARMORY
CAPITAL MANAGEMENT, LLC