Building & Preserving Wealth by Design - Not by Chance

QUALITY FINANCIAL CONCEPTS

Doug's Insights

Date: September 28, 2015

Category: Investment Markets

Market Comments and Outlooks

"Same Tune – Second Verse"

Investment markets continue to rock back and forth. The number of 100 plus point days in the last two months is bound to set a new record. These moves have gone in both directions, many times within the same day of trading. The first thing to remember is most of these moves is generated by traders, not long-term investors. It is those traders who look for quick short-term moves in either direction. Often, they are pleased with small moves in a position before they are out and onto the next. These traders have added some of the volatility to the markets, but have not undermined the benefits of long-term objectives.

The US equity markets are still in correction territory, which means they have dropped in value by ten percent or more from their most recent highs. As we have discussed, corrections are normal and generally occur every twelve to sixteen months. This time the quarterly statements which are due at the end of September will reflect the impact of this correction. In years past, much or most of the bounce following a correction had occurred by the time statements were released, and the 'low value' during the correction was never highlighted by the statements received. Please remember, most of your assets are geared for long-term growth, even for those who are retired.

Some of the steps we are currently taking, as are most equity fund managers, is to upgrade select holdings within the portfolio. During corrections, there are many stocks whose value drop along with most of the other companies but become oversold due to qualities of their revenue, management team, or products. This creates opportunities as mutual funds, pensions, advisors, and sovereign funds add positions who are ten, fifteen, and even thirty percent off their most recent highs.

The noise around investing continues, as there are more deadlines or hurdles which must be met or overcome. You will now hear of the countdown to the government shutdown which could occur at this end of this month. We have had shutdowns before, so this is not new. But, it is noise in the markets and will add its own volatility. Additionally, the Federal government will have to once again resolve the national debt ceiling; most likely to take place this December. Fame investor Carol Icahn is distributing a video proclaiming a warning on the US stock market. Naturally, the Presidential candidates will be suggesting their own solutions for what ails our country. There is also good news which reflects the strength of our economy. Apple released sales figures for their new phone which beat prior weekend sales records. The gross domestic product (GDP) was released last week by the Bureau of Economic Analysis, and it was 3.9% for the second quarter of 2015. Add in our low unemployment rate, and this is **not** a country on the verge of a recession.

Doug's Insights

Insights Continued

Even though the Federal Reserve has announced the Federal Funds rate will be raised later this year, this is not bad news to the economy. Rates are only raised when the economy can in fact absorb the higher cost of interest. The Federal Reserve did clarify they are watching the world's economic news to gauge the potential impact on our own economy.

As some of the noises dissipate, we will see the indexes snap back and reflect the strength of the US economy. Do not let a normal correction shake your confidence in your long-term goals.