



**9/14/16**

## **Looking Ahead**

There are 55 days before we vote for the new President of the United States. The political and economic uncertainty in this country remains high. Here are three points that jump out at us that are worthy of consideration.

September and October are historically the two most volatile months for the U.S. stock market. With the exception of the last couple days, this has not been the case. The past 30 days have been the least volatile 30-day period in more than two decades. Previous periods of very low volatility were in early 2011, before the U.S.'s near-default and loss of triple-A status, and January 2007, a few months before the collapse of two Bear Stearns hedge funds marked the beginning of the credit crunch. Does this signify an imminent market drop? Not necessarily, but this is something we are monitoring very closely as we, quite frankly, expect volatility to increase throughout the remainder of the year.

Bond markets worldwide continue to grow even stranger. Recently, ten-year notes of Germany, Japan and Switzerland are paying a negative yield. That means investors want those bonds so much that they'll pay for the privilege of owning them. Low yields in the U.S. and abroad are sending a very gloomy message about the future. Today's high bond prices and paltry yields imply low returns in the years ahead.

While the Dow Jones Industrial Average is up 3.68% year-to-date and close to its all-time high, the Dow Jones Transportation Average is trading 15% below its all-time high set in December 2014. Many economists consider that weakness to be ominous, on the theory that the sector is a leading economic indicator. The recent collapse of South Korea's Hanjin shipping company has sent tremors throughout the shipping industry and is a casualty of the worldwide trading slow down. As the sector continues to slow, is it warning us of imminent economic trouble?

As we said in our February 2016 Newsletter, the global economic, financial, and political environment will remain fragile throughout this year - caution is advised. As always, we will do our best to keep you well informed and provide timely - proactive guidance.