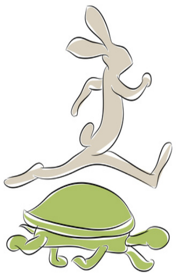
INVESTMENT INSIGHT

2016
THIRD QUARTER

LEGACY WEALTH MANAGEMENT®



2016 has been and continues to be a year of uncertainty, with "uncertainty" being a word that we have always said the market dislikes. We started off the year with a decline of 7-12% through mid-February, only to see those markets come racing back by the end of March and continue rising for several more months. On June 23rd the Brits voted, quite unexpectedly, to leave the European Union, and the markets reacted very quickly and negatively for several days, then again showed their resilience and recovered. The uncertainty that remains for the year centers around the presidential and, to a lesser extent, the "down-ticket" elections. So far the race between Secretary Clinton and Mr. Trump seems to be a dead heat and we are getting the question from many clients "what happens if (*fill in the blank*) wins?"

The truth is that we do not know exactly what will happen if (*fill in the blank*) wins, but historically presidential elections are not generally determinative of market outcomes over time. Sure, there may be an initial reaction by the market to the results, but markets are likely to settle down as the results sink in and economic activities that produce market results continue. It is anticipated that the makeup of the Senate could change, but not by enough to really give one party unchallenged control. The House is almost certainly going to remain in Republican hands. If these predictions hold true, then Secretary Clinton would likely face a divided government in which the current status quo "do nothing" remains intact. Mr. Trump would face many of the same challenges should he win since he has struggled to win support even among some Republicans, and it therefore appears that it may be difficult for him to win widespread Congressional support for his plans.

That brings us to the tortoise and the hare. As the market declined late last year and early this year, we counseled patience and persistence. It paid off. As the Brexit occurred, we counseled patience and persistence. It paid off. Now as we approach the presidential election, we are counseling patience and persistence in the belief that it will pay off. We follow a number of authorities in the investment field, including JP Morgan, Fidelity Investments, and an economic service called ITR Economics. A recent conference call from JP Morgan and a piece written by Jurrien Timmer at Fidelity both supported the idea that ITR Economics has presented for some time that slow economic growth is likely to continue and even suggested that economic growth would improve in the coming quarters. Couple continued economic growth with the low or even negative interest-rate policies of central banks around the world, and it makes sense that equity markets are reaching new highs and should continue to do well, particularly in the U.S. While the future is always uncertain, we see no fundamental reasons that either the stock or bond markets should dramatically change course. Negative rates on bonds overseas will keep the Federal Reserve from raising rates quickly in the U.S., resulting in reasonably steady bond markets in coming months. Low rates around the world continue to make equities attractive by comparison, so barring a major event that shakes the stock market, or an unexpected reaction by the market to an event like the election, equity markets should remain stable and continue to grow at their slow pace. None of the commentators mentioned above made the outcome of the presidential election a focal point of their analysis, nor will the election immediately impact central bank policies or economic growth around the world.

So we remain cautiously optimistic moving into the remainder of 2016. The tortoise knew that a steady, confident approach to the race might just give him a chance to beat the admittedly faster, but also less focused and more erratic hare. The tortoise stayed focused on the goal and won. We commit to do the same – stay focused on your goals, remain diligent and steady in the face of uncertainty, and help you win the race you're running.

This Third Quarter
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has been written by Legacy's
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