

THE APPARENT DISCONNECT BETWEEN THE POLITICAL CLIMATE AND THE MARKET

Why isn't the upheaval in Washington impacting investment performance?

Recently, we've had many conversations with clients who are concerned that the toxic political environment will negatively impact the economy and stock market. However, since the election, one thing is crystal clear, the market does not seem to care about the political mess. Indices are at near-record highs; and volatility is at historic lows.

What's going on here?

Our interpretation is that the market is being patient, waiting to see if the pro-growth policies of the new administration will materialize. Corporate earnings remain strong, consumer spending is high, and the stock market is really the only place to invest right now to get returns.

As we reflect on the current situation, we think back to one of our favorite quotes from legendary investor Sir John Templeton, "Bull markets are born on pessimism, grown on skepticism, mature on optimism, and die on euphoria." We don't see much evidence of euphoria right now and remain cautiously optimistic about the market.

The Fed demonstrates confidence

Just last week, the Fed raised interest rates 0.25% for the second time this year and announced plans to begin to reduce assets on its balance sheet it accumulated in recent years to bolster the economy.

These moves are expressions of confidence in the economy and reflect that both key elements of the Fed's dual mandate – maximizing employment and stabilizing prices – are in a good position. In fact, unemployment is at a 16-year low of 4.3%.

Call Seth or Brian anytime if you would like to discuss these topics or with other questions you have.



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Enjoy your Summer

As the calendar gets ready to flip from June into July, we look forward to family gatherings, rounds of golf, and fishing with friends. Whatever your passion, we hope you have a wonderful and relaxing summer.

Best wishes, Seth and Brian



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