Sunnier Days

Just a few short months ago, we wrote at length about the stranglehold that fear seemed to have on both investors’ psyches and on the markets at large. Despite a steady stream of encouraging economic reports showing continued growth in employment, strong consumer spending and service economy expansion, a cloud of worry that a slowdown in China might be triggering another global recession or a potential monetary policy mistake persisted.

It was enough to usher in the year with the worst first week of losses ever, and by mid-February, the S&P 500 was down 10.5% year-to-date. Volatility was running rampant with triple digit gains followed by triple digit losses seemingly an everyday occurrence. At the time, our assessment was that the market was in the midst of a tantrum and that given all the positive fundamentals, longer-term investors would be well-served to stay the course and weather the short-term storm.

Today, just a little more than two months after hitting its low-water mark for the year, the S&P has rallied more than 250 points and moved well into positive territory for the year. The clouds have parted and the sun is shining brightly for those of you who stayed the course in adhering to your long-term investment strategy.

Now’s the time to assess and adjust

We are not, however, prescient visionaries. With the stock market currently hovering near an all-time high, valuations becoming more expensive and volatility still a significant concern, this may be a good time to revisit your longer-term plans and objectives and make any necessary adjustments to your investment portfolio.

While the market can certainly creep higher, less than inspiring GDP estimates don’t suggest a roaring bull. Investors may want to consider adding a variety of income-producing assets (4-7% yields look quite attractive for the balance of 2016) as well as looking overseas where lower valuations, higher growth rates and larger dividend yields are more likely to be found. And with the inherent uncertainty of a presidential election looming on the near horizon, a well-diversified portfolio may offer the best hope of keeping yourself financially out of harm’s way.

Speaking of presidents, in his 1962 inaugural State of the Union address, JFK talked about the importance of improving an already strong economy with the cautionary warning that “the time to repair the roof is when the sun is shining.” Those are words that today’s investor may want to take to heart. Take advantage of these sunnier days to examine where you are on the road to achieving various goals, and explore whether or not the recent run-up now affords you a better means of achieving some of your essential and important goals by employing lower-risk investment strategies and taking a few chips off the domestic equity table.
As always, if there are any questions please do not hesitate to contact your advisor or visit us online at www.seia.com.

Deron T. McCoy
CFA, CFP®, CAIA, AIF®
Chief Investment Officer

The information contained herein is the opinion of SEIA and is subject to change at any time. The information contained in this newsletter is not intended to be a complete description of all events, but are provided solely for general informational purposes. SEIA has obtained the information provided herein from third party sources believed to be reliable, but no representation is made as to their completeness or accuracy. Indices are unmanaged and cannot be invested directly. Opinions expressed in this newsletter are not intended as and should not be used as investment advice or a recommendation of any security, strategy or investment product. We are not responsible for the consequences of any decisions or actions taken as a result of the information provided herein. Investment decisions should be made based on the client’s specific financial needs, objectives, goals, time horizon and risk tolerance. Past performance does not guarantee future results. There is no guarantee that any forecasts made will come to pass. Investing involves risk and possible loss of principal capital. The financial markets are volatile and there are risks in all types of investment vehicles, including “low-risk” strategies. You should consult with appropriate counsel or other advisors on all matters pertaining to legal, tax, or accounting obligations and requirements.

Registered Representative/Securities offered through Signator Investors, Inc., Member FINRA, SIPC, 2121 Avenue of the Stars, Suite 1600, Los Angeles, CA 90067, (310) 712-2323. SEIA, LLC and its investment advisory services are offered independent of Signator Investors, Inc. and any subsidiaries or affiliates.