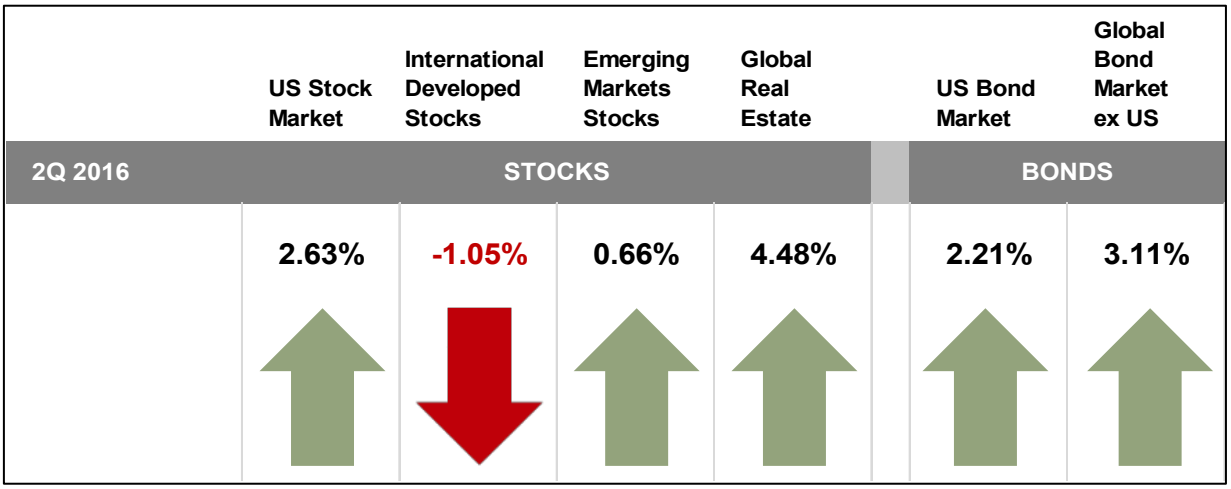
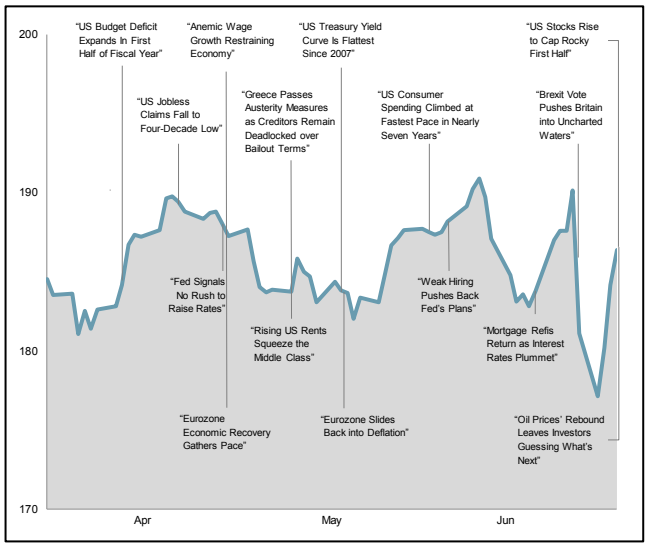
Quarterly Market Review: 2016-Q2

For ClearLogic Financial

Despite another volatile quarter, capped by the Brexit decision in late June, stock and bond markets once again had a positive quarter. In fact, the chart below looks almost identical to the same chart in the first quarter. Global Real Estate outperformed all other asset classes again in the second quarter, and International Developed stocks were the only asset class to provide negative returns.



Volatility reigned again in the second quarter. The illustration below shows this quarter's performance of the MSCI All Country World Index with some selected headlines during the quarter. These headlines are not offered to explain the market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.



The illustration to the left reminds us of an article recently published in the New York Times by one of our favorite financial journalists, Carl Richards, aka "The Sketch Guy". For your ease, we have copied the sketch and article below. This was published on the Monday after the Brexit vote.

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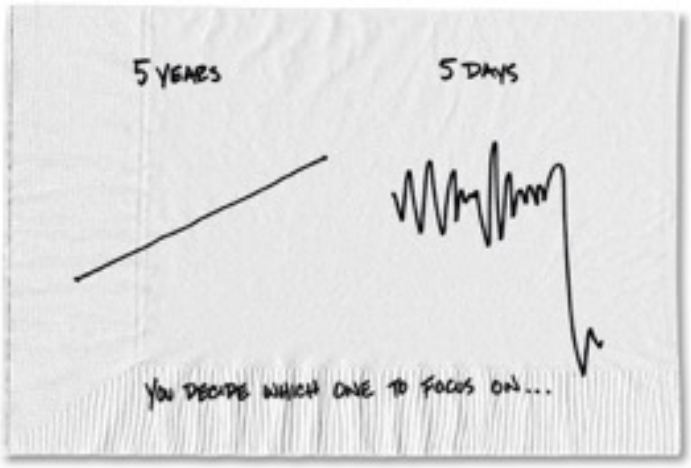
Carl Richards



Early Friday morning, a friend texted me. Here's what he said:

"Will you come talk to my co-workers?! They are talking about stopping their 401(k) contributions because of what's going on! Driving me nuts!"

Still not quite awake, I replied, "What?"

Within seconds, he replied, "Stock market fell 500 points this morning, Carl! It's all the way down to 17,537!"

My first thought: "Wow! The Dow is over 17,000." And this is where things got a bit exciting for me as a financial professional.

You see, about five years ago, I decided to totally ignore the stock market, especially breaking news about the stock market. I hadn't stopped investing, but since investing is meant to be done over decades, I had this crazy idea that maybe I would really, truly act out that whole long-term thing. That meant thinking about five years, 10 years, even 20 years from now. But I most definitely wouldn't be thinking about what happened in one week, let alone one day.

So I made sure I had a diversified portfolio of investments. And then, I proceeded to do nothing. I also ignored the stock market news entirely, which has been surprisingly easy.

But Friday morning, for really the first time in five years, it registered: The Dow had gone from just under 12,000 to over 17,000. That's a gain of almost 50 percent over the last five years. Now that's what I call amazing!

Less amazing, however, is what the markets will do, or not do, over the next few days. So you choose: five days or five years.

We can't think of a better time to heed Carl's advice. You may recall, 2016 started with the *worst first week in stock market history*. And that's a long history. The swoon continued until February 11th. By the end of the first quarter though, roughly 30 trading days later, stocks rebounded to show gains in almost all asset classes. The second quarter repeated the volatility and the end result.

Markets continue to provide roller coaster-like movements in the short-term. They always have, and we suspect they will continue to do so. Do your best to tune out the financial news like Carl did over the past five years, and your investment experience will be far more enjoyable and profitable.

We have posted your individual quarterly reports to the client portal. Please let us know if you have any questions or would like to discuss anything. We hope you are enjoying your summer!