



Kalorama Wealth Strategies, LLC

2136 12th Place, N.W.
Washington, D.C. 20009-7507

Phone: 202.550.7262
Fax: 480.247.9620

www.kaloramawealth.com

Post-Election Market Note

"The Trend Is Your Friend"

November 21, 2016 - In the aftermath of the unexpected presidential election, investors may be concerned about their investments. The good news is that, in the words of the late, great, investment guru Marty Zweig (en.wikipedia.org/wiki/Martin_Zweig), "The Trend is Your Friend." Although there are certainly no guarantees, stock market performance has tended to continue with the underlying trend after a significant, surprise event.

As measured by the Standard & Poor's 500-stock index (total return series), stocks have risen each year since the financial crises of 2008 and were up 5.9% in 2016 through the end of October. The S&P 500 was down for nine consecutive sessions through the Friday prior to the election, the longest consecutive decline since 1980. There was a rally on Monday and Tuesday with an expectation of a Clinton win.



When the victor was declared in the wee hours of election night, stock futures sank by more than 4%. With the light of a new day and the potential for stimulative fiscal policies (tax cuts, infrastructure spending, and higher deficits), stocks staged a reversal and have continued to rise. The probable inflationary policies have had the opposite effect on bonds: higher yields, lower values. The yield on 10-year Treasury bonds and 30-year fixed-rate mortgages has jumped approximately one-half percent.

The Trend Is Your Friend

A post-election Washington Post article ("Why Your Portfolio Won't be Trumped") by Barry Ritholz provides examples of geopolitical surprises that would be expected to influence the direction of the stock market. These unforeseen shocks include: the attack on Pearl Harbor; the JFK assassination; Nixon's resignation; the 9-11 terrorist attacks; and the 2011 S&P rating downgrade of U.S. treasury debt. Instead of a significant change in market direction, there is typically a panicked sell-off followed by a recovery and the resumption of the underlying up or down trend.

The economy and investment markets are more important than geopolitical events. The bull market has advanced since the market lows of March 2009. The U.S. economy continues to expand with job growth, rising wages, unemployment below 5%, and higher corporate profits.



Nevertheless, there is significant uncertainty regarding what policies the new administration will adopt and how they will ultimately effect investments. Fasten your seat belts, we are probably in for increased market volatility as the various issues are debated and resolved one way or another.



It is important to keep in mind the things that should make you a successful investor:

1. Have a long-term plan and long-term focus.
2. Broadly diversify your portfolio investments.
3. Periodically rebalance your investments based on your long-term plan.

On a more ideological note, the path to freedom and equality are not necessarily achieved in a straight line. We should not be deterred by this bump in the road of history. With Thanksgiving and the holiday season upon us, we should be thankful for the progress made to date and the all the goodness that surrounds us.

As always, if I can be of any assistance to you or anyone you know, please do not hesitate to contact me. It would be my privilege to assist with your investment and financial planning needs. For more information, please see our web site at www.kaloramawealth.com.



Fee-Only Investment Advisory And Financial Planning

M. David Goldstein, CFA, CFP®
2136 12th Place, N.W., Washington, D.C. 20009
Phone: (202) 550-7262 Fax: (480) 247-5620
david@kaloramawealth.com www.kaloramawealth.com