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"Brexit Shmexit!"

C'mon, admit it. Back in June, you were probably pretty worried about what would happen when English voters gave the European Union the ol' raspberry. After the surprise Brexit vote, U.S. markets cascaded down -6% in the next 1 ½ days of trading. It might have been frightening . . . had the slide not ended after just 10 hours of trading, and then started to climb. It wasn't such a big deal after all, just like most market crises.

- **Three Times You Might Have Bailed in the Last Year:** The 3rd Quarter 2015 saw a market correction with the S&P 500* down almost -12% in 9 weeks, but followed by the best month, October 2015, in 4 years (up over 8%). 2016 started as the worst January ever. The S&P 500* was down over -10% to start the year, but then gained +12.3% in the next 6 weeks. Then Brexit . . . down -6% in less than two trading days, rebounding over 9% since.
- **Remember Swine Flu and Ebola?** Media-inflamed fears do affect the markets . . . and the swine flu and Ebola scares were no exceptions. Terrible illnesses, to be sure, but the swine flu killed about ¼ of the people who die of the flu annually (depends on the year, Centers for Disease Control). Ebola claimed one life in the U.S., and 11,000 worldwide. Hardly pandemics, yet many people freaked.
- **The Benefits of Hanging Around:** Market rebounds often fall immediately on the heels of big declines (see first bullet). Had you invested $100,000 in the S&P 500 Index* in 1996, you'd have $350,000 today, but had you missed the 10 best days (remember they often come right after the bad days), you'd have just $175,000. If you missed the best 20 days, you'd be about break even . . . after 20 years.
- **That'll Grab Your Attention:** As David Lee in our office said the other day "It's always the inconsistencies that grab the headlines." He's right, the normal day-to-day stuff in life is not newsworthy . . . it's the anomalies that are. So, a steady diet of stories about terrible violence makes us afraid, even though the world is a much safer place (Peace Research Institute; Steven Pinker, Better Angels . . .). Ditto for doom and gloom stories on the markets. The markets have *always recouped losses* (no guarantee for the future of course!), yet some investors see each new prognostication by some Chicken Little talking head as an excuse to jump ship.

- **Market Growth has Been Inexorable:** For economists, we're either in a Bull Market or Bear Market. There is nothing in between, although each has its own ups and downs. Since 1950, we've had 14 bulls and 13 bears (we're in a bull market now). Bull markets have lasted an average of 44 months, and bear markets just 14 months. The good times last 3 times longer than the bad. The average *annual* return for a bull market has been 23% and for a bear -21.5%. But since the bull lasts three times as long, the average cumulative return during a bull market has been +117% versus a -24.6% for a bear (Putnam Investments using S&P 500* data). Courageous investors made money.
- **The Ride is Rarely Smooth, so Buckle Up:** Three of the top ten biggest point drops in DOW Industrials Index* history have been in the last 12 months (8/21/15 -531 points; 8/24/15 -588; 6/24/16 -610). In spite of that, the DOW* is up +12.5% through that period, and hovering around new all-time highs. Rather resilient.
- **It's the Fundamentals:** Our economy is almost 70% based upon consumption. People and companies buying things. When we buy goods and services from great American companies, the economy grows, and companies make more profits. When companies make more profits, their stock prices go up, and the markets follow suit. There is a strong .95 correlation between S &P 500* company earnings growth and the growth of the S&P 500 Index* (Bloomberg). Fundamentals move the markets over time, not the daily and weekly crises that keep us up at night.

We *are* sensitive to the fact that some really horrible things happen in the world. It's just that they don't often have a lasting effect on your portfolio, and to act as if they might can be horrible for your financial future.

A large part of our value is coaching you through the Brexits, the killer viruses, and alarming elections. We're here to help, we'll do our homework and help you stay on course.

**All indices are unmanaged and investors cannot actually invest directly into an index. Unlike investments, indices do not incur management fees, charges, or expenses. Past performance does not guarantee future results.*

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