

Quarterly Review

July 2016

by Jack P. Cannata, CFP®, CPA

The week prior to July 4th found me fishing my favorite trout stream, the Pere Marquette River in Western Michigan with my long-time friend and fishing guide, Walt. I have been fishing the river with Walt going on 25 years and I have seen many changes to the river over that time, some negative, but mostly positive. Walt has been guiding the Pere Marquette for 40+ years and has seen much more than me.

Late June and early July fly fishing for trout in Michigan can mean only one thing, hexagenia limbata, or simply the hex hatch. The hex are a supersized mayfly that are programmed to reproduce from around 10pm to after midnight on hot summer nights. For fly anglers this means dry fly fishing as the trout voraciously feed on the insects that drop to the water's surface to lay eggs. And not any trout mind you, but the biggest brown trout in the river feeding on the top of the water in the dark. There is nothing better than casting your line to some unseen spot on the unseen water after hearing the slurp sound as a big brown trout slaps the water's surface and setting the hook when you hear that same slurping sound. Only a dedicated angler (also known as deranged) could find this entertaining. Hex fishing has another aspect. That of waiting in the stream until after dark to actually determine whether the bugs will show up on that particular night and if the trout will be feeding. Some nights it happens while on others it turns to an evening of good conversation and cigars with an old friend. Either way, time not wasted in my opinion.

Investing for the long term can feel the same way. Like hooking that big trout, it's exciting (and enriching) when the markets are accelerating upwards. And like losing that trophy trout after it's been hooked, enduring bear markets is no picnic. Most of the time, however, the market seems to be trying to determine which direction to take. For the first 6 months of 2016, markets had been moving sideways, creeping higher only to revert back down or declining only to recover their lost ground. Recently the markets have been on a tear. Moving sharply lower on the news that Britain will exit the European Union (aka Brexit), only to rebound and move to new all-time highs. Most client portfolios are now up for the year. But this one is not in the boat as of yet. Although economic data and corporate earnings have been generally positive, this year's Presidential election season is now moving into high gear. No one really knows how this Presidential battle will affect markets or the economy. While waiting, I strongly encourage an evening of good conversation and a cigar with an old friend.

As always we thank you for your business and for your continued trust.

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