Quarterly Review

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by Jack P. Cannata, CFP®,CPA

By the time that this letter reaches you, the 2016 Presidential election will have taken place and hopefully the next President will have been decided. Regardless of who wins the election for President, which party controls Congress and which judges are chosen to preside over the Supreme Court, one thing is for certain, the business and market cycles will continue unabated. I do not mean to infer that our elected (and appointed) political leaders do not impact our economy, they do. I am simply stating that their influence is often times perceived to be more impactful than actual. Politicians (of all stripes, parties and levels) love to tell us that all of our lives, economic and otherwise, will be materially improved if we simply vote for them and allow their ideas to come to fruition. In my humble opinion, this is hogwash.

Our economy (and the markets) follow a business (market) cycle. The cycle alternates between periods of growth, decline, recession, and recovery. The market follows suit, although it generally leads the economic cycle. It has been 84+ months since the recovery began in 2009, and although the growth rate has been more subdued than many past recoveries, the duration has been longer than most. What follows the growth phase is decline and eventually recession. I am not saying that a recession is in the offing or that this growth phase is over, I am simply stating that the economic cycle will continue its course forward and that the economy is likely entering the "late" growth phase, historically marked by rising short interest rates, rapidly rising commodity prices, appreciating property values, and the topping out of the stock market. Unfortunately, I cannot predict when the decline will begin or how deep it will be.

Pundits will tell us that by predicting the future we can outmaneuver the market cycle by reallocating assets (i.e., timing the market). Political operatives will tell us that by electing a politician or a party we can eliminate the business cycle. This is false. We continue to believe that a properly diversified portfolio, invested in accordance with a written Investment Policy Statement is the best plan. This will not eliminate market declines or avoid volatility, but provides the best path to achieve your financial goals and objectives.

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

Sincerely,

Jack P. Cannata

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