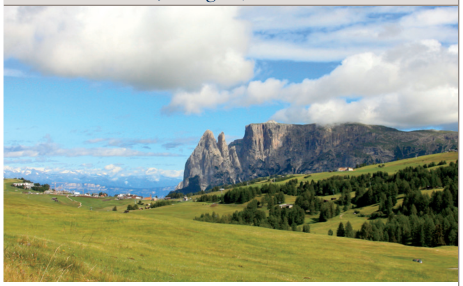
RAYMOND JAMES®

market update

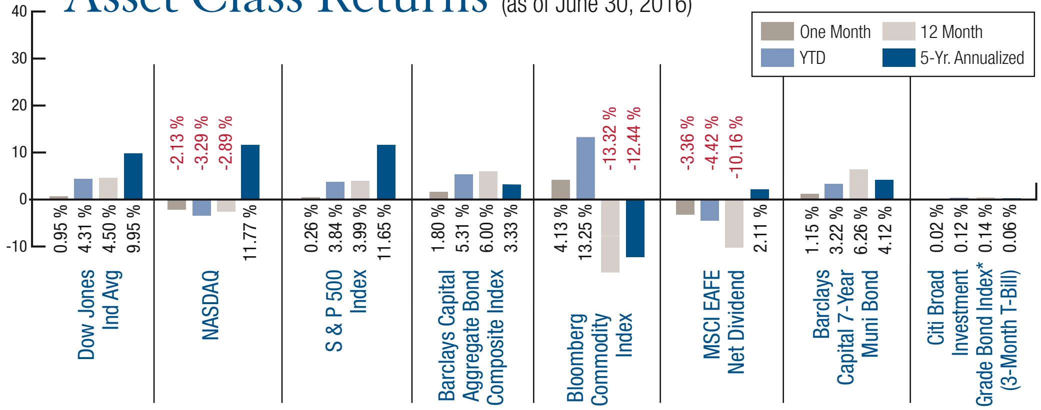
From the Office of:
Jeff Sgroi, CFP®



"Saving is a very fine thing, especially when your parents have done it for you."

Winston Churchill

Asset Class Returns (as of June 30, 2016)



Material prepared by Raymond James for use by its Financial Advisors

Market/Economic Synopsis

- United Kingdom voters surprise many with a vote to leave the European Union
- 10-year U.S. Treasury yield touches all time low at 1.357% (per Reuters Tradeweb data going back to 1953)
- FBI, led by Director James Comey, recommends no charges against Hillary Clinton despite sharp criticism of Clinton being "extremely careless"
- Currency markets highly volatile following Brexit vote, with U.S. dollar and Japanese yen gaining strength
- Autopilot technology and autonomous driving features face renewed hurdles as Tesla vehicle crashes into semi in Florida
- Recent report from energy consultant Rystad Energy states that the United States holds more oil reserves than any other nation in the world
- Gold continues its rally as one of the best performing assets to own in 2016
- Employment report released July 8th surprises to the upside, with non-farm employers adding 287,000 jobs last month

Market Update

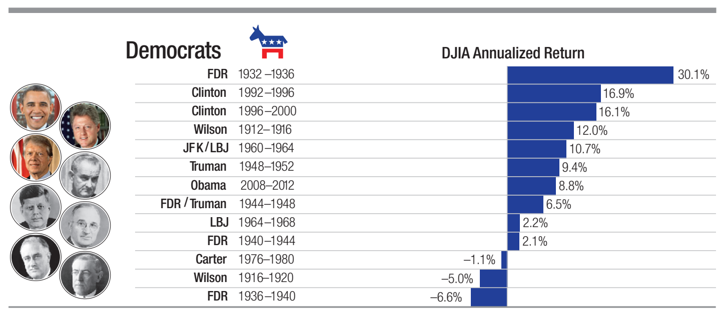
The two questions clients have been asking over the past couple of weeks are: "What is going to happen if ………….. wins the presidential election", and "What implications will the Brexit vote have on the markets and my portfolio". Both are very timely, relevant questions. Since the Brexit vote is over, yet the process is far from done (it will likely take two years for a complete, formal dissolution between the U.K. and the European Union) I would like to focus on the Brexit impact in a future market letter, as the event unfolds. For the purpose of July's Market Letter, let's concentrate on what's happening at home.

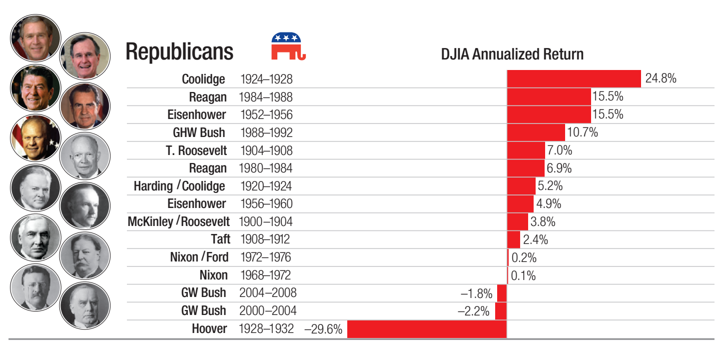
Quite simply, historical data implies that domestic market performance is indifferent to which party is at the presidential helm. Through my ongoing research, I discovered some statistically significant data points succinctly explained by Jerry Webman, Ph.D., CFA Chief Economist at Oppenheimer Funds (Oppenheimer Funds – Election 2016 in Perspective article).

Politics aside – common belief holds that the stock market will fare better when a Republican is in the White House because the party tends to be more pro-business. The corresponding expectation is that Democrats – with their purported preference toward higher taxes and increased regulation – hinder economic and market growth. The historical evidence supports otherwise.

Three important points to consider are:

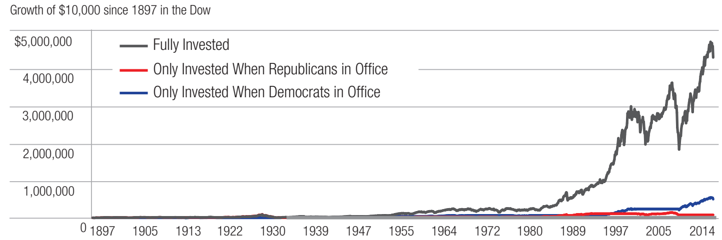
1. Dating back to 1897, markets have generally performed very well, but have also had bouts of difficulty, during presidential terms of both parties. (see upper and middle charts at the top of the next column)
2. Looking back to the Dow Jones Industrial Average creation in 1897, it is clear that the stock market does not favor either party. (see Growth of $10,000 since 1897 in the Dow chart following)
3. Investors who remain invested, regardless of who holds the executive office, are likely to outperform those who invest only during periods of a particular party controlling the White House.





Source: The New York Times. As of 10/26/12. DJIA is an acronym for the Dow Jones Industrial Average. Past performance does not guarantee future results.

Growth of $10,000 since 1897 in the Dow



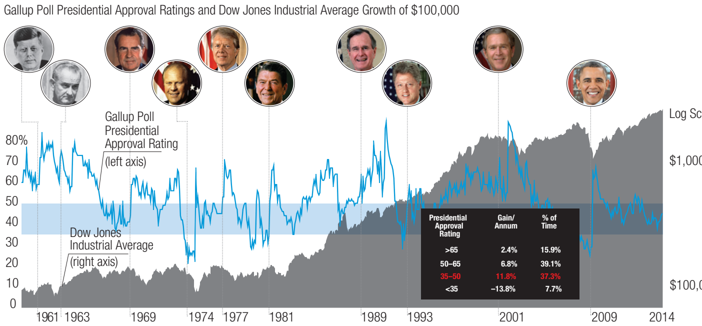
Sources: Bloomberg, OppenheimerFunds. As of 12/31/14. Past performance does not guarantee future results.

(continued)

As a follow through, Oppenheimer offers six helpful data points about what will NOT be affected by the presidential election outcome.

1. Gridlock Doesn't Mean Nothing Gets Done. Whether you like what has been done or not, there has been, and will continue to be, more legislation passed even if the executive and legislative branches differ.
2. Changes in Washington Don't Typically Come All at Once But in Increments. There have been some noteworthy exceptions recently (Affordable Healthcare Act and Dodd-Frank, in particular), but most significant changes in important policies (energy, transportation, immigration) are made in small steps over the course of decades.
3. Campaign Rhetoric Doesn't Always Influence What Happens During a President's Tenure. Call it what you will – the reality of the position after being elected, "stretching the truth" to collect votes, or otherwise – but issues change, priorities change and change is constant. Once elected, president's agendas historically have changed, and will continue to change.
4. Consumers and Businesses Have a Far Greater Impact on the Economy than the Government. Federal, state and local government spending and investments generally constitute 15-20% of the GDP. This means that 80-85% of the GDP is generated from private consumption, private investment and foreign trade.
5. The State of the Economy Influences Who Is President, Not Vice Versa. Quite simply, a strong economy (denoted by declining unemployment and inflation) generally translates to a win for the incumbent party candidate.
6. The Stock Market Doesn't Care If the Public Is Happy with Who's President. This is an interesting non-correlation. History suggests that the stock market is resilient and indifferent to a president's current approval rate. Over the past five decades, the DJIA has generally moved upward, while presidential approval ratings have fluctuated wildly. (see graph below)

Gallup Poll Presidential Approval Ratings and Dow Jones Industrial Average Growth of $100,000



Source: Gallup, 2/28/15. The Presidential Approval Ratings were introduced to gauge public support for the President of the United States during the term. For illustrative purposes only and not intended as investment advice. Past performance does not guarantee future results.

In summary, this U.S. presidential election is the most watched, scrutinized campaign that I can recall. Perhaps it is due to social media, more cameras than ever, the stakes involved or the general state of our nation. Our financial markets, frankly, could care less. Data suggest that it will be business as usual on Wall Street – short term movements driven by news headlines, global events, financial reports and otherwise, with a longer term trend directly corresponding to corporate earnings. Personally, I find it reassuring to know that something other than politics will propel our markets in the future.

From the Officefront

We have logged a busy spring and early summer thus far.

The weekend of June 3-6 I travelled to Estes Park with Tracy and the girls to join a select group of Raymond James advisors, their families, the Raymond James Sales Management team and a handful of education partners for the RJ Central Region Top Advisor Retreat. The Stanley Hotel (inspiration for Stephen King's novel "The Shining", and movie of the same name starring Jack Nicholson) hosted us for three nights. Advisors spent Saturday and Sunday in sessions sharing ideas on technology, investment management, client service and more. In addition, we had four speakers from different investment firms. The content and delivery of their presentations were unique compared to other conferences; their backgrounds are in psychology, law and other non-financial focuses. The biggest takeaways were specific client service items that we expect to integrate into our practice over the next 12 months. We will be sure to keep you posted as we implement them. On a side note, we did have some free time in the evenings to enjoy the town and the hotel. For anyone in the area, I highly recommend the Stanley Hotel ghost tour and a visit through the adjacent Rocky Mountain National Park. The area has an incredibly rich history.

More specific to the office, there are a few updates and items worth mentioning. As a reminder, we anticipate starting our Aspen office remodel around the first of August. We expect to maintain operations as usual, but we will be relocated for a month or so (hopefully no longer!). We will provide appropriate information on our temporary location for anyone who stops by our office.

Finally, I want to remind you (our client) of our revised portfolio review format. In the past, you heard from me directly to schedule your account review. As of the beginning of 2016, Susan and Denise have contacted you with requests, either by email or USPS, to schedule an appointment. The intent in having our reviews set up this way is in large part to work with your schedule and set meeting times that work best for you. We appreciate that you make time for us and welcome any feedback regarding how we schedule meetings, meeting agenda/format and review content.

From the Homefront

School is out for the summer, the water fountains are on! What more can be said?

If you prefer to receive this newsletter via email, please notify us at jeff.sgroi@raymondjames.com.

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