Wealth Care LLC Monthly Commentary-October 2016

Investment Thoughts

In the stock markets, we have seen an increase in volatility, but continue to have nice gains across the board. The American market is up mid to high single digits for the year, and commodities are stronger. Emerging Markets continue to be the barnburner after several years of underperformance.

It seems likely the Federal Reserve will increase interest rates in December (after the election of course), and if the economy is "ok", expect more interest rises next year.

With probably interest rate rises coming, fixed income investing remains treacherous. Wealth Care LLC portfolios continue to focus on either short term domestic bonds or global fixed income which is actively managed.

I'd venture that we are seeing "asset class inflation." Almost every developed country including the US is making money almost free to borrow. As the money supply increases, we should see that prices increase as goods don't necessarily increase at the same rate. But inflation can be seen in different ways. It can be seen at the store, and/or in wages, and/or in financial products. Wages and to some part, goods, have had price increases constrained by global competition and technology (more to come with robotics), so we might be seeing the "inflation" mostly in our stock markets. That in itself is not a bad thing at all as long as prices for goods are not rising more quickly.

Read this brief article excerpt from just eight years ago:

Crisis on Wall Street as Lehman Totters, Merrill Is Sold, AIG Seeks to Raise Cash

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Fed Will Expand Its Lending Arsenal in a Bid to Calm Markets; Moves Cap a Momentous Weekend for American Finance

By
Carrick Mollenkamp,
Susanne Craig,
Serena Ng and
Aaron Lucchetti
Updated Sept. 15, 2008

The American financial system was shaken to its core on Sunday. Lehman Brothers Holdings Inc. faced the prospect of liquidation, and Merrill Lynch & Co. agreed to be sold to Bank of America Corp.

The U.S. government, which bailed out Fannie Mae and Freddie Mac a week ago and orchestrated the sale of Bear Stearns Cos. to J.P. Morgan Chase & Co. in March, played much tougher with Lehman. It refused to provide a financial backstop to potential buyers.

A man walks out of the Lehman Brothers building carrying a box of his belongings, in New York, Sept. 14. Reuters

Without such support, Barclays PLC and Bank of America, the two most interested buyers, walked away. On Sunday night, Bank of America struck an all-stock deal to buy Merrill Lynch for $29 a share, or $50 billion. Lehman was working on a possible bankruptcy filing that would allow most of its subsidiaries to continue operating as the firm is wound down.

Though it steered clear of a bailout, the Federal Reserve is expected to take new steps to stabilize the broader financial system. These steps, expected to be temporary, would make it easier for banks and securities firms to borrow from the central bank by using a wider range of collateral. Bankers say these financial institutions might need short-term funds as they unwind their many trading positions with Lehman.

In addition, 10 major commercial and investment banks announced Sunday night that they would pool $70 billion of their own money to create a borrowing facility. The 10 institutions, which include Citigroup Inc., Credit Suisse Group, Deutsche Bank AG, could tap the pool to help them ride out the crisis. The banks also said they are mutually committed to trying to mitigate market volatility.

A sense of foreboding gripped Wall Street as top executives feared collateral damage from a Lehman liquidation. Attention was focused on Merrill Lynch, which boasts the largest force of retail brokers, and American International Group Inc., the insurance giant. Both firms have seen their stocks get hammered on worries that they needed capital.

Ok, remember that? Was it a buy signal or a sell signal?

Following the very human nature to flee made sense-“get me out of the market”, right? Indeed, the DOW index dropped 500 points that very day and the market had dropped over 30% over the past year. Although the market dropped another 20%, by a year later it was heading back up. Since that time, the market has more than doubled.

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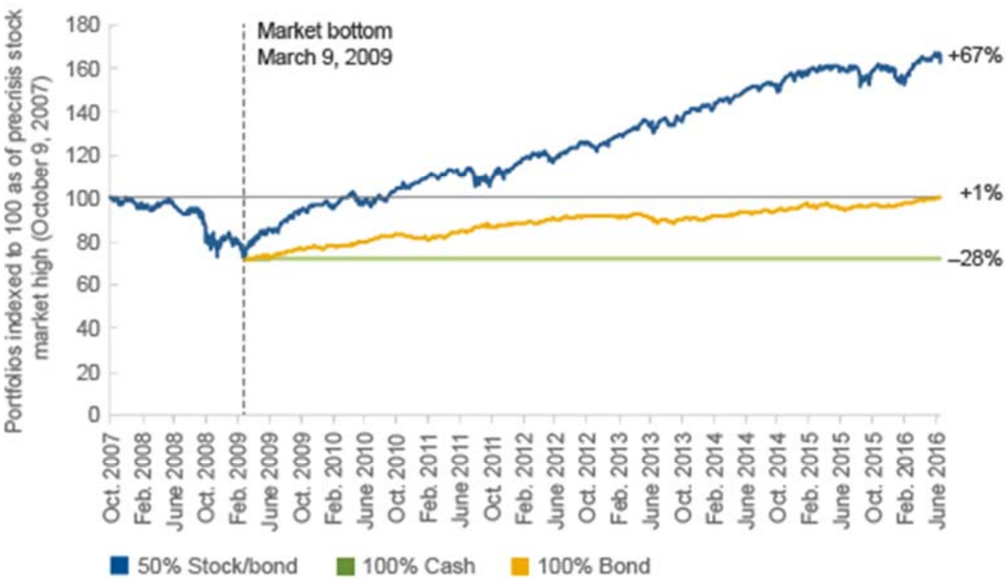
My point is that when things look scary, it is usually too late to act. Major market moves are (not just hard) impossible to anticipate, and if we are long term investors-we have to both anticipate and tolerate the ups and downs that are quite normal (even in extreme).

Do you know anyone who stepped up to buy aggressively in September 2008? That was the right thing to do, of course. The next best "right thing" to do was to leave your investments alone and get on with your life. We are here to help you do that the next time (as we did before).

Drastic decisions can have drastic outcomes

Net cumulative performance of changes in allocation from 2007's precrisis high through June 2016



Sources: Vanguard calculations using S&P 500 Index, Barclays U.S. Aggregate Bond Index, and Barclays 3-Month U.S. Treasury Bellwether Index, based on data from FactSet. The 50% stock/50% bond mix was rebalanced monthly.

Past performance is no guarantee of future returns. The performance of an index is not an exact representation of any particular investment, as you cannot invest directly in an index.

Miscellaneous

Fascinating "Life Hacks"

http://www.didyouseethis.net/article-22-10-amazing-mental-life-hacks.html

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Free Digital Photography Course Online by Stanford Professor

http://www.diyphotography.net/stanford-professor-puts-entire-digital-photography-course-online-free/

Random Notes

You have to decide what you are going to be worried about-
Markets are volatile, but retirement is certain
-Nick Murray

A study of economics usually reveals that the best time to buy anything is last year-Marty Allen

All I ask is the chance to prove
that money can't make me happy-Spike
Milligan

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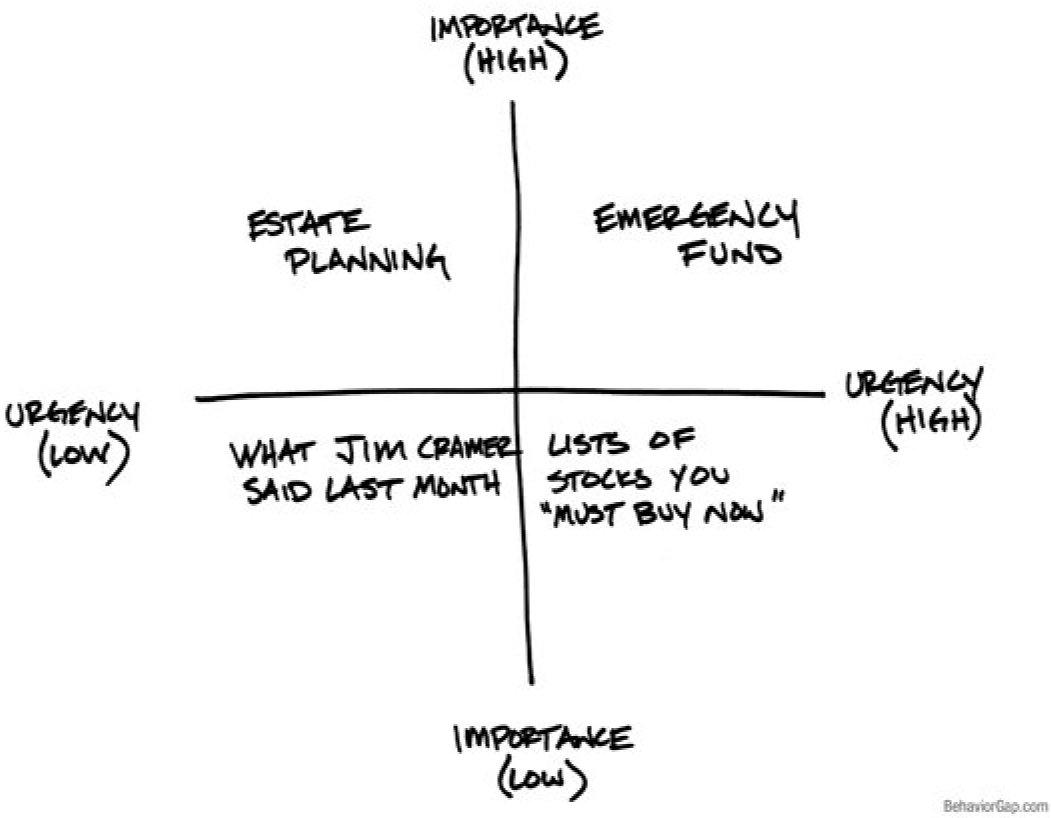

-Carl Richards

Steven Podnos MD, CFP® for Wealth Care LLC 10-1-2016

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