

*"The oldest and strongest emotion of mankind is fear, and the oldest and strongest kind of fear is fear of the unknown." – H.P. Lovecraft*

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Cab drivers have always been a source of eccentric conversation and now with the “gig” economy, Uber and Lyft drivers up the ante. Often times these drivers have other jobs and some are retired from other careers and have ever more colorful pasts and perspectives.

A recent driver was an improvisation (Improv) instructor and his conversation inspired this commentary. Improvisation is defined as the process of devising a solution to a requirement by making-do, despite absence of resources or preparation. He instructs his students in three cumulative principles:

1. Listen
2. It's about your partner, not you
3. Accept and advance

No philosophical cab conversation is complete without it winding its way to politics and this ride was no exception. Gio, the teacher, believes these principles can be used in life, so he applied the theory to the current presidential candidates. From his perspective, one candidate embodies these principles and the other is the polar opposite.

Collectively we're feeling this polarization in society, our social circles and in the media. If you've been reading our commentaries over the years, you've learned that markets do not like uncertainty. Uncertainty and fear increase volatility. This campaign cycle has been full of surprises. In the past, we would have anticipated some volatility reflecting the usual party assumptions: a Democrat leading might suggest greater regulation and government; and a Republican may support greater free markets and less regulation. In the past, markets may have punished stocks and sectors that would be susceptible to a given parties general platform. In this cycle we have, in a sense, two ground breaking candidates. The first female major candidate is seen as status quo entrenched in Washington, DC establishment and policy. The other candidate is outspoken, has no government experience, and policy details have been missing or contradictory. Both candidates have historically high negative ratings. The polarization and the unusual – or usual – candidates play into our collective fear and uncertainty.

In addition to the election, we still have the Federal Reserve interest rate watch weighing on the markets - another dose of uncertainty. While we watch our own Central Bank wrestle with economic stimulus, we must consider our international partners. Globalization has made us ever more interdependent upon foreign economies and their Central Banks. Economic stimulus and intervention has been used in unprecedented quantities since the financial crisis and the effects of the policies as well as the resulting economic output is highly uncertain.

As advisers we must look for trends to inform our investment and planning decisions. Using an improv mind, we must “listen”. Much of the frustration of this election cycle can be seen as an expression of disenfranchisement in many areas. In analyzing Congressional activity, we see that the percentage of representatives voting with the majority of their party has not been this high

since the beginning of the 1900's. With the relative close representation between the two parties, half the people will be disappointed or not represented half the time.

Economically, the disenfranchisement is even more concrete. Wage growth as of August was at 2.5% compared to the 50 year average of 4.2%. The average earnings of a high school graduate is \$35,600 while a bachelor's degree holder will earn \$65,480. In this time of uncertainty and low interest rates, companies are not retooling or upgrading equipment to expand jobs nor productivity. Instead, at low interest rates, they are buying back their own company stock. Some of these buy backs go to compensate their executives helping to fuel income inequality while some just sit, not producing or growing profits but waiting for political reality to signal the appropriate corporate plans.

The interdependent global economy reminds us that **"it's about your partner, not you"**. About 48% of S&P 500 company's sales come from overseas. Our economic health is dependent upon the health of economies around the world. The markets are watching Great Britain's management of their exit from the European Union; China's overhaul of their economy; and elections and politics around the globe, notably in France, Germany and Mexico. Slow growing US companies, pressure on consumers around the globe and any increase in protectionism all could combine to derail our and our trading partners' tortoise-like recoveries.

With the election a month away, we will begin to see some clarity in US political leadership. Fortunately our system of checks and balances among the House, Senate, Executive and Judicial branches provide some stability. Most political predictions have been showing little change to party breakdowns in Congress. While this division has fueled excessive partisanship, a most recent video controversy involving the current GOP nominee has tested party loyalty and perhaps, strengthened the independence of each branch. When we look back at this period, it will seem like past election cycles, where little changed, thanks to the strength of our form of democracy.

Our world is complicated and to navigate, we must be able to **"accept"** uncertainties, yet **"advance"** our own goals and value. A diversified portfolio, built for the long-term, and for an individual's unique situation still remains the prudent approach to investing and saving for the future. We've been experiencing an intense period of heightened, negative news which will dissipate over time. More broadly, our politicians, our companies, our communities and our nest eggs will benefit as we focus on a more interconnected big picture and facilitate a world that appreciates that the sum of the parts is greater than the whole.