

## *Election Fears Stir Financial Market*



*November 4, 2016*

- Economic data suggests moderate growth continues
- Investors trading on fear, not fundamentals
- Cash raised marginally and equity market hedge position taken in some clients' portfolios

Before commenting on the recent financial market action, we'd like to touch briefly on today's financial report. The report showed continued job gains and an impressive 2.8% gain in earnings. Last week, the first of three revisions of the Gross Domestic Product Report indicated 2.9% growth, which was better than expected. Collaborating the two reports leads to the conclusion that the economy is doing "okay".

The Presidential election has been weighing on investors this year, as evidenced by the massive equity mutual fund withdrawals recently. The S&P500 held up well until this past week, but small and mid-cap stocks have dropped more significantly than the former. Trading appears to be driven by short-term emotions rather than long term potential of earnings and dividends. With stocks looking at being down nine days in row, a possible equity market reversal may be coming.

Recently, most portfolios have seen cash levels rise by reducing exposure to stocks and some accounts that we have hedged.

On a positive note, top holding Assured Guaranty (AGO) shared jumped over 8% as investors like what they read in the most recent earnings report.



Andrew D.W. Hill, CFA  
President and Co-Founder



Jennifer Figurelli, CTFA  
Managing Director and Co-Founder

**Disclosures**

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