# INVESTMENT PERSPECTIVES

July 2017

Eight years and counting: the U.S. stock market, as measured by the unmanaged Standard & Poor's 500 Composite Stock Index (S&P 500) has been increasing in value for more than eight consecutive years. The current bull stock market started on March 9, 2009.

At some point in time there will be a downturn in stock market values. Consider the following statistics for the S&P 500 provided by Ned Davis Research as of July 2017. Since 1928, on average:

- The S&P 500 (the market) has experienced a decline in value of 5% every 10 weeks. It has now been 53 weeks since the market experienced a 5% decline in value.
- The S&P 500 (the market) has experienced a decline in value of 10% every 33 weeks. It has now been 72 weeks since the market experienced a 10% decline in value.
- The S&P 500 (the market) has experienced a decline in value of 20% every 127 weeks. It has now been 421 weeks since the market experienced a 20% decline in value.

As you can see, market downturns are fairly common. Because it has been quite some time since we have experienced even a modest downturn in market values, we might reasonably expect a downturn in stock market values sooner than later. Of course, no one knows precisely when this will occur; but, we shouldn't be surprised when it does.

So, what should an investor do today to continue to pursue their investment goals?

- Maintain a comprehensively diversified investment portfolio. Investment diversification can be a powerful tool in working towards your goal of investment success. A portfolio's diversification will determine a large portion of its return and the majority of its volatility risk. Broad diversification reduces a portfolios's exposure to specific risks while providing the opportunity to benefit from the markets' current leaders.
- Invest in quality investments. This means using investments that have historically participated in stock market gains when stock market values were rising and which have historically tended to minimize losses during periods when stock market values were falling. This is an important characteristic of quality bond market investments as well. Such investment performance is important because no one can consistently predict stock and bond markets movements. Remember; however, that past performance does not guarantee future results. This also means using investments that are managed by teams of experienced investment professionals. Such an investment management approach promotes: continuity of investment management and seeks to provide consistent and sustainable investment results.
- Reduce stock market exposure. We all know the old investment adage, "Buy Low, Sell High." Put another way, when the stock market is fully valued or over-valued, it may be appropriate to own less of it and when the stock market is fairly valued or under-valued, it may be appropriate to own more of it. Most stock market metrics indicate that the U.S. stock market is, most likely, fully or over-valued today. It is important to note that no one can consistently predict the right time to get into or out of the market.
- Focus on investment results achieved over meaningful periods of time: three years, five year and ten years and don't be fearful or negative too often. There will always be market corrections perhaps even crashes. But, historically, the stocks of quality companies have risen in value. Historically over time, government and corporate bonds have provided relatively consistent income.

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