

# THE AIRWAYS ADVISOR™

A NEWSLETTER FOR AMERICAN PILOTS



Leading Authority on Successfully Investing Your 401k Plan

## CAPTAIN'S BRIEFING:

- **The volatility of the markets has the Bull Bear Oscillator still in the red Bear territory, keeping the models in a defensive allocation.**
- **NO CHANGES** in the models.
- **Make sure you are keeping track of your trade dates for the 30-day hold period!**

### Volatility keeps Bull/Bear Oscillator negative

The portfolios have been in a defensive posture since the start of February, and they remain there this month because the Bull/Bear Oscillator (BBO) is still negative. Recent market volatility due to uncertainty about global central bank policy has contributed to the BBO signal outcome.

While the market advanced in March, it can be easy to forget the big drops the market took in January and early February.

The plummet in January began just two weeks after the BBO crossed into green territory in late December.

Take a look at the chart above. The skinny bars show the daily activity of the S&P 500 so far this year. A red bar shows a down day and a green bar shows an up day. The taller the stick, the wider the price range the market traded in that day. (The red line is the market's 200 day moving



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## MARCH MADNESS

*Soothsayer: "Beware the ides of March."*

*Caesar: "What man is that?"*

*Brutus: "A soothsayer bids you beware the ides of March." Julius Caesar Act 1, scene 2*

March is usually a month of change. Winter's cold gives way to the first hints of spring, and we make the rounds in our homes changing the time on the clocks and our watches by one hour as we "spring forward" in observance of Daylight Savings Time. However, the one thing in March that never seems to change, at least not for a lot of us, is how we fair in the "March Madness" office pool. The NCAA Men's Division I Basketball Championship is often referred to as "the Big Dance". For a lot of us though, it might as well be called "the fat chance" because we're out of the running to win some money every year. Like Caesar, many of us could have used a Soothsayer at the office bidding us to "beware the ides of March." Maybe we would have taken his warning as a hint to toss our tournament brackets in the trash and keep the entry fees in our pockets. Since we've all been told that misery loves company, we can take some comfort from learning that we're not alone in our bracket-filling futility this year. According to Yahoo Sports, not one of the brackets submitted to their site - and there were millions of them - had a clean sheet after the first round of 32 games. That's never happened before. March Madness, indeed.

March Madness extended to more than the confines of college basketball in March. It would be hard to label what several of the world's central banks did during the month anything other than more "March Madness." The world's central bankers even have their own version of the Final Four: 1) our Fed, the Federal Open Markets Committee (FOMC), 2) the European Central Bank (ECB), 3) the Bank of Japan (BOJ), and 4) the Peoples Bank of China (PBOC). In March, all four of these banks either deployed new accommodative measures in an effort to stimulate their economies or reiterated their position to leave extraordinary stimulative measures in place. Each bank, and the countries they represent, continue to struggle with how to deal with anemic global growth. Their accommodative actions in March propelled risk assets like stocks and real estate to new highs for 2016, but also increased the likelihood and maybe the impact of unintended consequences in the future.

**Captain's Table — Buy or Lease that next car?**

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## Central Bank Actions

The ECB pulled out the “big bazooka” in March when it unveiled a series of extraordinary policy moves to help spur economic growth and support asset prices in the Eurozone. The central bank reduced benchmark interest rates further, expanded its securities purchase program from €60 billion to €80 billion a month, and broadened the scope of its quantitative easing (QE) effort to include non-financial corporate bonds. The deposit rate was moved from -0.30% to -0.40%.

**Note that those are negative interest rates.** Depositors that already had to pay the banks to hold their money will now have to pay them even more.

Just a few days after the ECB’s stimulus bombshell stunned the markets, China’s central bank announced that it would keep its accommodative measures in place for now and would keep a flexible stance in the event of an economic shock - domestic or global. This “wait and see” decision from the PBOC wasn’t unexpected as the bank lowered reserve requirement ratios in February and cut interest rates six times since November 2014.

The BOJ didn’t unveil any new stimulus measures in March, but it left in place extraordinary measures that it put to work only a few weeks earlier. It was then that the BOJ blindsided the global markets by unexpectedly announcing that it would, like the ECB, apply a negative rate to some excess reserves that financial institutions place at the bank. At the March meeting, the BOJ reiterated its commitment to raise the monetary base by 80 trillion yen annually and left the rate it charges commercial banks on certain reserves at 0.1 percent. Not surprising to many, the BOJ is experiencing a significant backlash of anger and frustration from the public, especially older citizens on fixed incomes, in response to negative interest rate policies. There have been numerous reports of senior citizens buying safes to hoard cash amid fears that commercial banks may soon charge them interest on their deposits as well.

(Continued from page 1)

average. The green line is the market’s 50 day moving average.)

As you can see by the “W” pattern made by the bars, it’s been a very volatile three months for the stock market. The market fell off a cliff in early January, then rallied, then fell again, and finally bottomed on February 12th. Since then, the market has advanced, but still closed out the first quarter only a little better than breakeven.

The BBO has signaled a change three times in the last five months. Before that, it had gone 44 months straight without a signal change. The BBO model isn’t broken, it’s just reacting to a market that lacks conviction as represented by the current volatility. Once a longer-term trend is established, it should settle down again.

For more specifics about the mechanics of the BBO, read the [Fast Start Guide](#) on USPFA.org.

## In the U.S.

Fed Chair Janet Yellen’s statements following a late March Fed meeting had a clearly dovish tone. Yellen advised caution and said that global and financial uncertainties posed risks to the U.S. economy and justified a slower path for rate increases than previously planned. She announced that the Fed would leave official rates unchanged, which was expected, but her statement that the Fed had reduced the number of expected official rate hikes for 2016 from four to two raised the eyebrows of most economists that track Fed activity.

The Fed acknowledged that it is even considering negative interest rates as a potential policy tool, but at this point, that tool would only be part of a contingency plan. There is some question as to whether the Fed has statutory authority to cut rates below zero, but that issue is expected to be resolved soon. In any case, the Fed will observe how negative policy rates play out for other countries before deciding whether to use such an approach for future easing initiatives.

So here we are. Since 2008, we’ve gone from quantitative easing (QE) and “extraordinarily accommodative”, near zero percent interest rate policies (ZIRP), to expanding QE, and now to exploring negative interest rate policies (NIRP). Central bank policymakers are also considering an even more extraordinary stimulative tool if the ones now in place don’t bear fruit. The tool is known as “monetary finance”, but it’s also been called “helicopter money” because the plan is basically to print money and then give it to the public to spend on goods and services. A prominent central banker once likened it to taking a helicopter full of money out over the city and then throwing money out to the masses. The goal is to drive up consumption and thereby stimulate the economy. The whole plan may sound crazy, but don’t be surprised to see it put into action somewhere in the world soon.

So why have central banks in Europe and Japan resorted to negative interest rates? They are desperate to stimulate consumer demand in their countries and stoke worryingly low inflation. In China, the growth target set by the government of at least 6.5% in 2016 seems like a great thing to even shoot for compared to the rest of the world’s economies, but it’s the slowest pace of economic growth in China in 25 years. Here in the U.S., our massive monetary stimulus policies put into action over the past several years may seem pedestrian compared to what central banks elsewhere have deployed, but policy makers here expected growth earlier and greater than what we’re seeing now.

## Velocity Composite Fund Score™ Ranking

American 401k Plan								
Ticker	Symbol	Score	1MoPerf	3MoPerf	6MoPerf	1YrPerf	3YrPerf	5YrPerf
AAEMS	Emerging Markets Stock Index Fund	1266	12.96%	6.09%	5.21%	-14.01%	-13.76%	-23.36%
AAUSB	U.S. Bond Index Fund	174	0.87%	2.94%	2.33%	1.56%	7.31%	19.95%
AADVB	Diversified Bond Fund	987	0.87%	2.94%	2.33%	1.56%	7.31%	19.95%
AAIPB	Inflation Protection Fund	958	1.65%	3.46%	2.23%	-1.20%	-5.06%	9.93%
AALGI	U.S. Lg Cap Growth Stock Index Fund	923	6.77%	1.16%	8.60%	2.75%	48.43%	66.30%
AALGS	U.S. Large Cap Growth Stock Fund	891	5.59%	-0.71%	5.07%	2.20%	43.14%	71.39%
ATD15	American Pilot Target Date Fund 2015	878	4.02%	1.97%	4.08%	-0.65%	17.13%	33.39%
ATD20	American Pilot Target Date Fund 2020	749	4.37%	2.04%	4.29%	-0.76%	15.48%	NA
ATD25	American Pilot Target Date Fund 2025	732	5.14%	1.91%	4.75%	-1.05%	17.14%	NA
ATD30	American Pilot Target Date Fund 2030	728	5.92%	1.76%	5.09%	-1.33%	18.38%	NA
AAMCI	U.S. Mid Cap Stock Index Fund	711	8.13%	2.65%	6.26%	-3.45%	35.73%	61.64%
AAHYB	High Yield Bond Index Fund	693	2.55%	2.48%	1.75%	-4.74%	2.49%	21.37%
ATD35	American Pilot Target Date Fund 2035	687	6.53%	1.56%	5.48%	-1.64%	19.56%	NA
ATD40	American Pilot Target Date Fund 2040	675	7.20%	1.41%	5.77%	-2.01%	20.60%	NA
ATD45	American Pilot Target Date Fund 2045	664	7.49%	1.30%	5.91%	-2.17%	21.77%	NA
ATD50	American Pilot Target Date Fund 2050	624	7.59%	1.29%	5.98%	-2.24%	22.90%	NA
ATD55	American Pilot Target Date Fund 2055	611	7.70%	1.25%	5.93%	-2.23%	24.13%	NA
AALCV	U.S. Large Cap Value Stock Fund	576	6.39%	2.57%	8.63%	-0.07%	39.77%	76.82%
AALSI	U.S. Large Cap Stock Index Fund	561	6.78%	1.95%	8.86%	2.69%	NA	NA
AALVI	U.S. Large Cap Value Stock Index Fund	542	7.00%	1.72%	8.12%	1.36%	39.93%	70.32%
ATD60	American Pilot Target Date Fund 2060	522	6.82%	0.74%	4.88%	-3.26%	23.32%	NA
AAMCS	U.S. Small/Mid Cap Stock Fund	516	8.52%	0.96%	4.33%	NA	NA	NA
AAIST	Intl Stock Fund including Emg Markets	493	8.19%	-1.16%	0.71%	-11.14%	0.13%	-2.09%
AASCV	U.S. Small Cap Value Stock Index Fund	487	7.93%	-1.24%	2.51%	-9.70%	23.28%	39.40%
AASCG	U.S. Sm Cap Growth Stock Index Fund	473	7.35%	-4.05%	-3.65%	-12.34%	21.82%	40.00%
AADMS	Intl Dev Markets Stock Index Fund	468	6.58%	-3.70%	-0.79%	-10.25%	6.13%	8.67%
AAPRF	Pilot Target Date Post-Retirement Fund	461	3.56%	2.33%	3.84%	-0.33%	12.82%	NA

The funds listed above for the new American 401k Plan were created for the plan and have an Inception Date of October 31, 2015. Therefore, proxies are used to calculate returns and scoring for these funds.

US Airways RSP Plan								
Ticker	Symbol	Score	1MoPerf	3MoPerf	6MoPerf	1YrPerf	3YrPerf	5YrPerf
USREM	Emerging Markets	1221	12.96%	6.09%	5.21%	-14.01%	-13.76%	-23.36%
ALLWF	All Weather Fund	1042	3.05%	2.28%	3.47%	-0.35%	10.06%	22.16%
CONSV	Conservative Fund	985	3.05%	2.28%	3.47%	-0.35%	10.06%	22.16%
USBDX	Bond Fund	963	0.87%	2.94%	2.33%	1.56%	7.31%	19.95%
RAFXX	Real Asset Fund	796	1.67%	4.60%	3.33%	0.56%	-2.50%	14.88%
LPRTX	LifePath Index Retirement Fund	751	3.56%	2.33%	3.84%	-0.33%	12.82%	NA
USMCX	Mid Cap Stock	727	8.13%	2.65%	6.26%	-3.45%	35.73%	61.64%
GROWT	Growth Fund	698	3.73%	2.11%	3.56%	-0.81%	12.70%	25.57%
LP25X	LifePath Index 2025 Fund	672	5.14%	1.91%	4.75%	-1.05%	17.14%	NA
USLCG	Large Cap Growth	657	6.82%	2.07%	8.93%	2.74%	41.10%	72.73%
FXAIX	Spartan 500 Index	612	6.73%	2.02%	8.91%	2.76%	40.88%	72.33%
USLCV	Large Cap Value	584	7.26%	2.06%	7.72%	-0.86%	31.15%	61.16%
WFSBL	Wells Fargo Stable Return Portfolio	461	0.00%	0.02%	-0.02%	-0.04%	-0.24%	-0.34%
USSCE	Small Cap Equity	412	8.01%	-1.03%	2.69%	-9.38%	24.31%	41.86%
USIEF	International Equity	409	6.58%	-3.70%	-0.79%	-10.25%	6.13%	8.67%

**Definitions & Notes:** The Velocity Composite Fund Score Ranking combines the Velocity (speed of advance of a fund compared to all other funds) with its Buy Point Score (how close the fund is to a recent bottom). This composite score is used to rank all available fund choices. In defined Bull Market advances, the system uses the Top 3 funds in the Aggressive model and the Top 4 in the Moderate and Conservative models. In Defined Bear Market periods, this ranking is provided for information purposes and for those who are "doing their own thing" and would like to know (hypothetically) which funds the system would buy today, if the market was a Defined Bull Market. Rankings dates are the last business day of each month. NOTE: Many of the funds in the US RSP Plan are not really mutual funds. They are composites or comingled funds, etc. Therefore, they don't really have ticker symbols. We create tickers for convenience, but they do not exist outside this newsletter. You will use the fund name to trade.

## Worry-Free Flight Path Models™ - American



American 401k Plan (as of March 31, 2016)

### Performance Stats

	YTD	1 Month	1 Year	3 Years	5 Years	10 Years	Inception
<b>Conservative Model Annualized</b>	-2.25%	0.55%	-4.90%	8.23%	17.00%	39.68%	80.48%
				2.67%	3.19%	3.40%	3.53%
<b>Moderate Model Annualized</b>	-3.72%	0.88%	-5.90%	18.00%	32.10%	79.60%	182.00%
				5.67%	5.73%	6.03%	6.29%
<b>Aggressive Model Annualized</b>	-4.00%	1.10%	-7.80%	14.10%	28.64%	91.30%	235.50%
				4.49%	5.17%	6.70%	7.38%
<b>S&amp;P 500 Annualized</b>	1.35%	6.78%	0.64%	41.33%	73.19%	98.11%	85.12%
				12.22%	11.61%	7.08%	3.69%



USAirways Pilots RSP (as of March 31, 2016)

### Performance Stats

	YTD	1 Month	1 Year	3 Years	5 Years	10 Years	Inception
<b>Conservative Model Annualized</b>	-1.72%	1.40%	-7.00%	8.10%	12.80%	30.60%	63.50%
				2.63%	2.44%	2.71%	2.93%
<b>Moderate Model Annualized</b>	-3.90%	1.40%	-11.70%	10.50%	16.70%	48.90%	125.50%
				3.38%	3.14%	4.06%	4.90%
<b>Aggressive Model Annualized</b>	-5.90%	1.40%	-16.20%	4.90%	12.10%	44.80%	140.10%
				1.61%	2.31%	3.77%	5.29%
<b>S&amp;P 500 Annualized</b>	1.35%	6.78%	0.64%	41.33%	73.19%	98.11%	85.12%
				12.22%	11.61%	7.08%	3.69%

**Fear & Greed Index** As markets pushed higher in March, mid-February's market bottom became more of a distant memory for investors who moved further from Fear towards Greed.



**AAL**— For most of Q1 2016, AAL and the S&P 500 were in the red, until both turned positive in mid-March. The stock market remained positive as March drew to a close, but AAL lost ground in late March due largely to terrorism concerns.



## American 401k

American 401k Plan Conservative Model		
Symbol	Fund Name	Allocate
FMPXX	Fidelity® Institutional Money Market	50.00%
AADV	U.S. Bond Index Fund	50.00%
		100.00%

American 401k Plan Moderate Model		
Symbol	Fund Name	Allocate
FMPXX	Fidelity® Institutional Money Market	20.00%
AADV	U.S. Bond Index Fund	80.00%
		100.00%

American 401k Plan Aggressive Model		
Symbol	Fund Name	Allocate
AADV	U.S. Bond Index Fund	100.00%
		100.00%

## US RSP

USAirways RSP Plan Conservative Model		
Symbol	Fund Name	Allocate
USBDX	Bond Fund	100.00%
		100.00%

USAirways RSP Plan Moderate Model		
Symbol	Fund Name	Allocate
USBDX	Bond Fund	100.00%
		100.00%

USAirways RSP Plan Aggressive Model		
Symbol	Fund Name	Allocate
USBDX	Bond Fund	100.00%
		100.00%

• IN A MONTH WITH TRADES —  
THE NEW FUNDS WILL BE HIGHLIGHTED IN YELLOW

- **AA 401k NO CHANGES** in the models
- **US RSP NO CHANGES** in the models

• **READ:** Your 401k plan has trading restrictions, so you must keep track of your buy and sell orders. Fidelity does a poor job of defining what excessive trading is and has expanded that definition to include all funds.

- **Future Contributions:** The models work smoothly if you direct ALL future contributions into the following: for the 401K Fidelity Money Market and USBDX Bond Fund for the RSP.
- **Effective February 1, 2016**, the Wells Fargo Stable Return will NO LONGER be used as the RSP money market fund due to competing fund restrictions.

**Is your credit card about to expire? Have you recently received a new card OR have you requested a new credit card because of vendor security issues?**

To update new CREDIT CARD information BEFORE your credit card expires, either call us at 717-569-8162 or go to the "Update Credit Card Information" section under the Member's Tab.

## Bull Bear Oscillator vs. S&P 500 Index



### APPROXIMATE Future Publication Dates

5/4/16  
6/3/16  
7/6/16  
8/3/16  
9/6/16  
10/5/16  
11/3/16  
12/5/16  
1/5/17



from the  
CAPTAIN'S  
TABLE

## Buy or Lease?

The old clunker sitting in the driveway is on its last leg, and you are trying to decide what's next. You always see those commercials with the nice shiny brand new cars and the payments advertised seem reasonable until you realize most of them are for a lease. So, you are wondering if it makes more sense to lease that next new car or buy it as you have in the past.

I get this question a lot, and it is always a difficult conversation. Why? Because most of the time, the person I'm talking to has not thought about what is most important to them. They haven't really examined their lifestyle or decided what items to consider in the decision. But the short answer to whether it is better to lease or buy that next car is – it depends. It's not possible to simply say that one is always better than the other. The answer depends on the specifics of each individual situation. The truth is, leasing a car is a great option for some people, but not for others. Let's look at some of the questions we should be asking ourselves before we make the buy or lease decision.

1. Which is more important: Driving a new car every two or three years with no major repair risk, or driving one vehicle for many years and assuming the responsibility for all maintenance after the warranty expires?
2. Which is more important: Lower monthly payments, but higher long-term cost – or lower long-term costs but higher monthly payments?
3. Do you drive no more than an "average" amount of miles in a year – or is your mileage highly unpredictable?
4. Do you take good care of your cars and maintain them properly – or do you tend to be more lax about such things?
5. Do you have a stable lifestyle and habits that will prevent you from wanting to, or needing to, end a lease early?

These are just a few of the questions that need to be answered before making this decision. Since buying a car is one of the biggest purchases you can make, it's wise to look at all your options. Both leasing and buying have advantages and disadvantages, just like renting or buying a home. Having a clear understanding of what you want out of your vehicle can help lead you to the best decision.

The most obvious difference is that with a lease, you get a new car every few years with little or no hassle of maintenance, and you don't have to deal with selling it or trading it in later. Just hand in the keys and get a new lease. However, if we are looking at what makes the most financial sense, then there are other factors to consider. One thing I tell clients all the time is there is a financial decision, and there is an emotional decision. Either can be right for different reasons at different times, but emotional decisions often win out because the financial factors are not considered as deeply.

I can say, however, that after looking at many lease programs and financing options over the years, there is a general underlying theme regarding the financial decision. That being, the longer you have the same car, the more you will save over time. That still does not make buying a car right for everyone. However, most data will show that buying a car is almost always cheaper in the long run over leasing.

One problem that arises when folks consider the buy vs. lease decision is that they feel they can get much more car by leasing than they can over buying. That is true if the only factor being considered is the monthly payment; however, comparisons need to be done on the same car. An apples to apples comparison doesn't occur if you compare buying a \$25,000 car to leasing a \$40,000 car. If someone cannot afford to buy a particular car, they most likely don't need to consider it for a lease simply because the payments are lower.

If you look at buying or leasing a \$20,000 vehicle for five years, assuming a 6% rate on a new loan (paid off in three years), and two 3-year leases to cover the full five years.

Buy		Lease	
Mo Payment	\$608.00	Mo Payment \$350.00	Mo Payment \$385.00
36 Payments	\$21,888.00	36 Payments \$12,600.00	24 Payments \$9,240.00
<b>Total Cost</b>	\$21,888.00	<b>Total Cost</b>	\$21,840.00
<b>Residual Value</b>	\$7,000.00	<b>Residual Value</b>	\$0.00
<b>Net Cost</b>	<b>\$14,888.00</b>	<b>Net Cost</b>	<b>\$21,840.00</b>

In this quick example, the lease costs roughly an additional \$1300 per year or just under \$7000 over the full five-year period.

(Continued on page 7)

Chart Assumptions: 1) Normal driving with no additional overages in mileage, then we could avoid any additional mileage costs from the lease; 2) Leased vehicle in great shape so as to avoid any additional wear and tear charges at the end of the lease; 3) Car has a residual value of \$7000 at the end of five years.

I realize that a new car every few years with no hassle of maintenance can be attractive to many, but if dollars and cents is the deciding factor, then owning a car for several years will leave more money in your pocket. Additionally, purchasing a low mileage used car, where the original owner took much of the depreciation hit, is an even more prudent decision to consider. However, if you plan on buying cars and flipping them every few years, leasing is more logical in that situation since so much of the depreciation occurs in the first few years.

There are many planners out there that will tell you never to finance a car for more than three years and never to lease a car. They will also tell you to keep a car for 10 to 15 years to get the full benefit of owning the car. The only catch is that's not practical for everyone. For some people cars are more than just a financial decision.

**The bottom line is - it's personal.** All of us have different personal styles, objectives and priorities – in cars,

life and finances. Know your objectives and priorities, and the financial decision can match the emotional one.

*Chris*

*Chris Lott, CFP®, CPA is a Managing Partner at Smith Anglin Financial, and is a member of the firm's Investment Committee. He regularly meets with prospective clients, counsels existing clients, leads investment portfolio analysis and develops materials for communicating with the firm's clientele and target markets.*

*He holds a BBA in Finance and Marketing and numerous securities licenses and designations.*

**Experts at the Captain's Table:** All members have a wide and varied background in all areas of wealth management. Most importantly, the members have worked extensively with professional pilots at American, Delta, Federal Express, Southwest, United – and every airline that merged into these along the way – for more than 85 years combined. They know your world, your benefits, how to retire in the best way, and what is needed at each life-stage in retirement to get you to your goal.

### Asset Prices

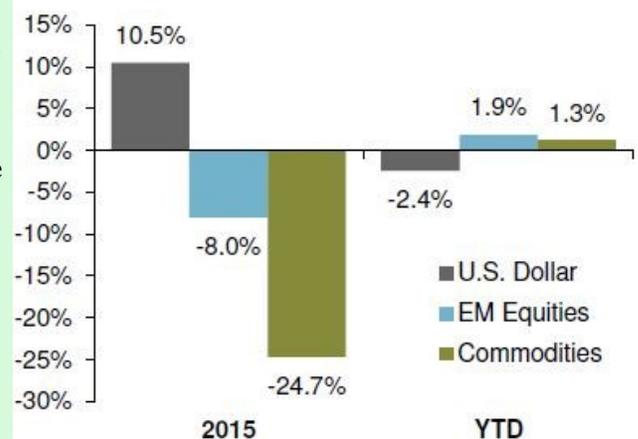
As expected, further ultra-accommodative policy actions by the world's central banks have greatly influenced global asset prices so far this year. Artificially low interest rates continue to push investors out of cash and bonds and into riskier assets, like stocks and real estate. Year-to-date, the S&P 500 has bounced back from its mid-February low and is now just above breakeven for the year, advancing more than 6% in March alone. In fact, the Dow Jones Industrial Average, another U.S. stock market gauge, just posted its biggest quarterly comeback since 1933 during the first quarter of 2016. World markets also rallied strongly after tumbling during the quarter and now also sit just above break even for the year.

### Currencies

Central bank policies have greatly impacted currencies as well. Normally, when a country cuts its interest rates or prints more money, the currency drops in value and that country's goods are cheaper, meaning its exports usually benefit. However, the recent "race to the bottom" in interest rate policy by the world's central banks has actually caused some of those country's currencies to rise in value. The currencies that have appreciated the most year-to-date are interestingly those of the countries who have taken their rates into negative territory, which is worrisome for their central banks. One could conclude from this that currency markets are no longer responding to policy. But a better explanation is probably that we are seeing an unwinding of consensus trades that are overwhelming the impact of policy (such as bets on a rallying US dollar, and on outperformance of developed versus emerging markets).

Speaking of the USD, despite a rise of 11% against a broad basket of currencies last year, the dollar has fallen 2% so far this year versus the same basket. The largest factor in the dollar's moderation is likely the lowered expectations across the market for the Fed to continue hiking rates. The prospect of higher rates led many investors to seek out U.S. assets before the Fed began to hike; volatility in markets and worries about the strength of the U.S. economy led many investors to ratchet down their expectations of rate hikes.

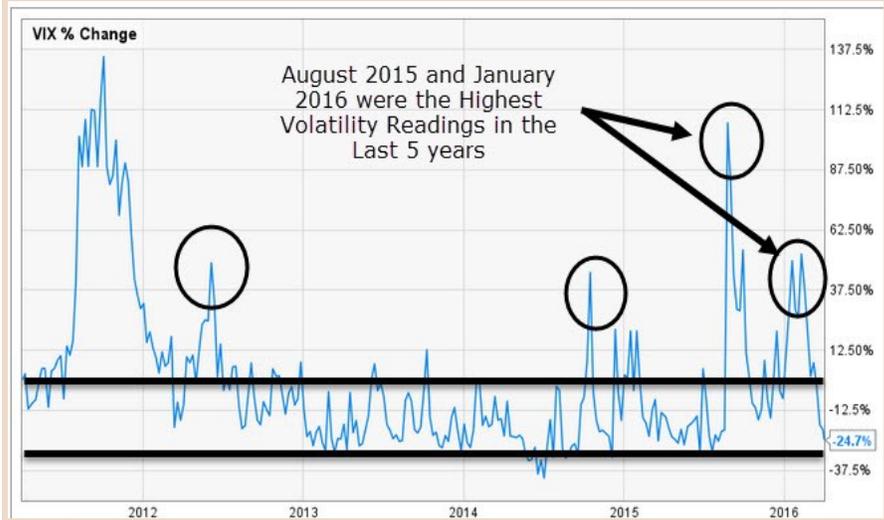
**A slightly lower dollar is less of a headwind**  
Broad trade-weighted USD, MSCI EM price, BBG comdty.



Source: Bloomberg, FactSet, Federal Reserve, MSCI, J.P. Morgan Asset Management.

## “Method in madness,” or madness in method?

It's obvious that much of what's driving the world's capital markets is not investment fundamentals. Policymakers stepped in to “save the global economy” during the Financial Crisis, and they continue, in large part, to be the ones calling the shots. It may be madness that the future of the global economy is in the hands of a few dozen bureaucratic policymakers, but that's the world that we live in. But this doesn't necessarily mean that the world's capital markets are a poor place to invest. It just means that investors need to know the rules of the game, who the players are, and have a plan of action for what to do if and when capital markets start to take a turn for the worst.



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