

JUNE 2016

# THE AIRWAYS ADVISOR™

A NEWSLETTER FOR AMERICAN PILOTS



Leading Authority on Successfully Investing Your 401k Plan

***“Things done well and with a care, exempt themselves from fear.” Henry VIII, Act 1, Scene 2.***

There are a lot of things to fear in the world today. The news headlines alone can churn your stomach: terrorist attacks by groups like ISIS can occur anywhere, provocative missile testings by aggressive nations like Iran and North Korea rattle other powers, and military expansion by the Chinese makes the South China Sea the probable theatre of tension for the next several years. And then there are worries of the financial-related sort. The United Kingdom (UK) is voting soon on whether or not to leave the European Union (EU), which could have far-reaching ramifications. Puerto Rico, a U.S. territory, is defaulting on its debts. And possibly the biggest financial anxiety centers on the world's ballooning debt as economic malaise continues to be met with massive debt-incurring central banking policies--policies that appear to be yielding marginal results, at best.

## **CAPTAIN'S BRIEFING:**

- **CHANGES** in each model.
- **Make sure you are keeping track of your trade dates for the 30-day hold period!**

**Captain's Table —  
Upcoming November Elections  
Go to page 6**

**The world's economic and capital markets landscape, rightly or wrongly, continues to be shaped by the decisions of the world's largest economies' central bankers, so they hold most of the cards.** Their policies have literally changed how the capital markets have functioned since the financial crisis began more than eight years ago, and the actions of these banks remain the focus of much attention, a reality likely to remain in place for years to come.

The U.S.'s central bank, the Federal Open Markets Committee (FOMC, the Fed) now finds itself in a really tough spot. Last December, after an extraordinary seven-year period in which the federal funds rate was held near zero percent, the Fed finally hiked the fed funds rate one-quarter of one percent (0.25%) and made clear their goal to raise rates four more times in 2016. However, in the first half dozen weeks of the new year stock prices took a dive, oil prices continued to slide, and expectations of further rate hikes by the Fed vanished in short order. "How," the thinking went, "can the Fed hike rates four more times in a year when domestic economic news is mixed, stock markets are struggling, and just about every other developed economy in the world is going in the opposite directions - lowering rates and implementing even more stimulus?" It came as little surprise when policymakers then scaled back the number of planned rate hikes from four to two after a Fed meeting in mid-March. The Fed lowered expectations further for official rates late that month when Fed Chair Janet Yellen cited "global growth risks" and inflation outlook "uncertainty." The Fed worked deliberately to let the markets know it planned to pause on hikes.

Then, the landscape shifted yet again when headwinds became tailwinds. The price of oil and other core consumer goods changed direction and went up. Labor markets continued to improve. And with a rebound in equity prices and a fairly stable U.S. dollar, the Fed's communication policy—the bedrock of the current policy framework—changed course yet again. The Fed's focus has been on growth, jobs, and inflation, and with all three showing signs of improvement, they've changed their tune yet again. Now Fed officials are messaging to the markets the possibility of two or even three more rate hikes this year. Fed Chair Janet Yellen said that an increase in the federal funds rate "probably in the coming months ... would be appropriate." So we expect a hike, maybe as early as the July FOMC meeting. The problem is that such frequent directional changes to monetary policy create even greater swings of uncertainty in the financial markets and that volatility erodes confidence in the markets.

So, the Fed is in a tough spot. It's held rates down far longer and far lower than it ever expected to – at least that's what they tell us – and the U.S. economy may be strong enough to stomach another rate hike or two, but the other major central bank powers in China, Japan, and Europe are still implementing more stimulus and trying to drive their currencies lower versus the U.S. dollar.

(Continued on page 2)



“You're flying toward an unknown financial future— WE HAVE CHARTS!”

(Continued from page 1)

And if all of these forces work together to make for a stronger U.S. dollar, that makes our exports more expensive, which curtails foreign demand, and ultimately hurts our economy. It's hard to make decisions when you're in a virtual currency war. A tough spot... between a rock and a hard place... out of the frying pan and into the fire... take your pick of applicable metaphors.

**BREXIT, ETC** Anemic global growth is a concern for central bankers in the U.S. and abroad, and it's also a major issue underlying what will likely be one of the summer's biggest events – whether or not the UK votes to leave the EU on June 23. If voters in the UK choose to exit the EU, which has been labeled the “Brexit,” investors will scramble to figure out what that really means for them. As campaigning in advance of the vote heats up, there's still no clear picture from the polls, although recently there has been a slight swing towards remaining in the EU. At this point, it's still too close to call.

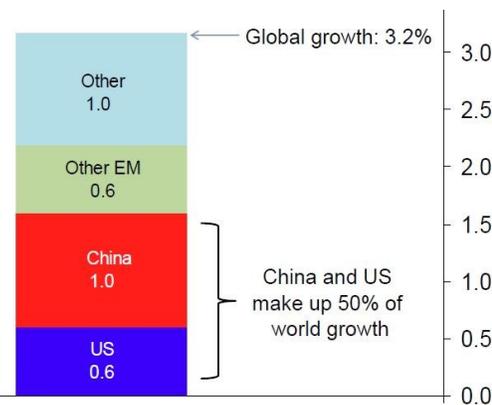
A decision to leave the EU would have far-reaching ramifications. First, a Brexit would come as a massive shock to global financial markets because the “unknown” slice of the global economic pie just increased dramatically in size. Also, the short-term impact on the British economy would be negative, and it might be enough to push the UK into recession. However, we doubt there would be the economic meltdown predicted by the British government and others passionately against an exit. More important than the short-term impact on the markets and on the UK economy is what a Brexit vote would mean longer-term for European and global economics and politics.

Leaders in the world's largest economies contend a Brexit would pose a major threat to the global economic outlook. This seems an exaggerated claim as the UK accounts for just 2% of world output. A decision to modify its trading relationship with the EU and to pass on more political integration with the rest of Europe shouldn't have a sustained impact on the global economy, especially as a Brexit would involve a transitional period lasting two years, and perhaps longer. This is where “Brexit anxiety” seems to look a lot like all of the handwringing that occurred over Greece's “crises” just a few years ago. Eventually, world markets turned their attention back to bigger concerns.



A Brexit could have its most lasting impact on the political front - both within Europe and perhaps elsewhere. A vote to quit the EU would be the biggest blow to the European “project” to date. It would be viewed as a major chink in the EU's armor, emboldening radical and separatist parties that have already gained considerable ground elsewhere in Europe, and it might encourage investors to question the irrevocable nature of the Euro as a single currency. Could we be looking at another wave of the sovereign-debt crisis? We think the vote will be to stay in the EU, but we'll have to wait and see ...

**Contribution to Global Real GDP growth in 2016** (weighted by Nominal US\$ GDP)



Source: IMF, Haver Analytics, DB Global Markets

**U.S. ECONOMY** June 2016 marks the seventh anniversary of the current economic growth cycle as the U.S. began its climb out of The Great Recession in the summer of 2009. It's been the fourth-longest expansion in the post-World War II period and two years longer than the average expansion, and yet it's not without its skeptics. Most of the cynicism is rightfully based on claims that this recovery has been helped along in large part by extraordinary monetary policy. That said, the U.S. economy is the envy of the developed world, save for China, which is growing faster than the U.S., but has its own list of problems to contend with.

The slow growth rate of the current recovery is often cited as one of its weaknesses, and analysts frequently point out that when growth slows to stall speed in any given quarter, the risk of recession is real. While this is true, slow growth is neither a sign of pending failure nor an endpoint, although it does make the growth cycle somewhat more vulnerable to exogenous shocks. This scenario played itself out again recently as revised first-quarter gross domestic product (GDP) came in at a paltry rate of 0.8% (annualized), only a few knots over what looks to be stall speed, to be sure.

## Velocity Composite Fund Score™ Ranking

American 401k Plan								
Ticker	Symbol	Score	1MoPerf	3MoPerf	6MoPerf	1YrPerf	3YrPerf	5YrPerf
AAMCS	U.S. Small/Mid Cap Stock Fund	1233	2.10%	12.43%	-0.02%	NA	-5.55%	NA
AALSI	U.S. Large Cap Stock Index Fund	1192	1.79%	9.09%	1.85%	1.59%	41.94%	NA
AALVI	U.S. Large Cap Value Stock Index Fund	994	1.76%	9.41%	1.59%	0.69%	38.18%	70.81%
AADVB	Diversified Bond Fund	985	0.01%	1.15%	3.11%	3.04%	22.48%	17.22%
AAMCI	U.S. Mid Cap Stock Index Fund	951	1.68%	11.08%	2.05%	-2.10%	37.83%	62.28%
AASCV	U.S. Small Cap Value Stock Index Fund	905	2.28%	12.15%	-2.89%	-6.21%	6.60%	44.15%
AASCG	U.S. Small Cap Growth Stock Index Fund	826	2.67%	10.63%	-6.60%	-11.67%	-15.10%	39.99%
AALCV	U.S. Large Cap Value Stock Fund	704	0.97%	8.35%	1.80%	-1.03%	6.60%	77.65%
AADMS	Intl Dev Markets Stock Index Fund	692	-0.09%	8.86%	-2.90%	-10.14%	39.85%	9.63%
AALGS	U.S. Large Cap Growth Stock Fund	673	1.67%	7.63%	-1.05%	1.32%	22.04%	71.83%
ATD30	American Pilot Target Date Fund 2030	669	0.51%	7.29%	1.66%	-1.28%	20.12%	33.87%
ATD25	American Pilot Target Date Fund 2025	665	0.43%	6.42%	1.75%	-0.76%	15.86%	32.09%
ATD60	American Pilot Target Date Fund 2060	664	0.61%	8.73%	0.67%	-3.53%	21.10%	NA
AAPRF	Pilot Target Date Post-Retirement Fund	664	0.27%	4.58%	1.98%	0.22%	18.10%	27.06%
ATD20	American Pilot Target Date Fund 2020	658	0.35%	5.47%	1.90%	-0.39%	19.01%	30.07%
ATD50	American Pilot Target Date Fund 2050	631	0.66%	9.38%	1.35%	-2.31%	16.97%	39.00%
AALGI	U.S. Large Cap Growth Stock Index Fund	588	2.21%	6.77%	-0.63%	0.40%	25.91%	59.48%
AAIST	Intl Stock Fund including Emg Markets	586	-1.21%	9.59%	-1.87%	-11.66%	11.95%	-0.75%
ATD45	American Pilot Target Date Fund 2045	582	0.67%	9.21%	1.32%	-2.32%	4.25%	37.53%
ATD55	American Pilot Target Date Fund 2055	578	0.65%	9.37%	1.38%	-2.30%	14.35%	40.36%
ATD40	American Pilot Target Date Fund 2040	576	0.67%	8.85%	1.40%	-2.09%	38.93%	36.57%
ATD35	American Pilot Target Date Fund 2035	564	0.59%	8.08%	1.54%	-1.65%	35.30%	35.26%
AAHYB	High Yield Bond Index Fund	562	0.17%	5.92%	3.68%	-2.67%	16.10%	23.00%
ATD15	American Pilot Target Date Fund 2015	561	0.34%	5.17%	1.81%	-0.39%	0.02%	32.40%
AAUSB	U.S. Bond Index Fund	560	0.01%	1.15%	3.11%	3.04%	NA	17.22%
AAIPB	Inflation Protection Fund	556	-0.76%	1.36%	2.23%	-0.47%	25.50%	7.87%
AAEMS	Emerging Markets Stock Index Fund	532	-3.69%	9.23%	-1.05%	-17.60%	3.18%	-24.27%

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, for time periods including dates prior to October 31, 2015.

US Airways RSP Plan								
Ticker	Symbol	Score	1MoPerf	3MoPerf	6MoPerf	1YrPerf	3YrPerf	5YrPerf
USSCE	Small Cap Equity	1321	2.24%	12.29%	-2.73%	-5.82%	22.55%	46.29%
USLCV	Large Cap Value	1194	1.47%	11.13%	2.94%	-0.26%	29.46%	64.54%
USMCX	Mid Cap Stock	1176	1.68%	11.08%	2.05%	-2.10%	33.03%	62.28%
RAFXX	Real Asset Fund	1084	-0.64%	1.22%	3.01%	1.16%	0.49%	11.63%
USLCG	Large Cap Growth	1012	1.69%	9.06%	1.75%	1.57%	36.63%	73.02%
FXAIX	Spartan 500 Index	994	1.70%	8.97%	1.68%	1.52%	36.41%	72.49%
LP25X	LifePath Index 2025 Fund	990	0.43%	6.42%	1.75%	-0.76%	16.92%	32.09%
LPRTX	LifePath Index Retirement Fund	967	0.27%	4.58%	1.98%	0.22%	13.30%	27.06%
USIEF	International Equity	943	-0.09%	8.86%	-2.90%	-10.14%	6.10%	9.63%
GROWT	Growth Fund	881	0.40%	4.91%	2.11%	-0.12%	12.96%	25.47%
WFSBL	Wells Fargo Stable Return Portfolio	782	0.00%	0.04%	0.04%	0.00%	-0.22%	-0.31%
ALLWF	All Weather Fund	759	0.24%	4.11%	2.37%	0.57%	10.47%	21.78%
CONSV	Conservative Fund	759	0.24%	4.11%	2.37%	0.57%	10.47%	21.78%
USBDX	Bond Fund	542	0.01%	1.15%	3.11%	3.04%	8.93%	17.22%
USREM	Emerging Markets	118	-3.69%	9.23%	-1.05%	-17.60%	-14.10%	-24.27%

**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 commingled 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

- Aggressive Model
- Moderate Model
- Conservative Model
- S&P 500 Index

### AA 401K Plan



## Fear & Greed Index

After advancing the last two weeks in April, the S&P 500 gained more ground in May and everyone was feeling good. It's in these times that investors need to be wary.



### American 401k Plan (as of May 31, 2016)

#### Performance Stats

	YTD	1 Month	1 Year	3 Years	5 Years	10 Years	Inception
<b>Conservative Model Annualized</b>	-2.67%	0.00%	-4.28%	7.47%	14.72%	41.96%	78.90%
				2.43%	2.78%	3.57%	3.48%
<b>Moderate Model Annualized</b>	-4.30%	0.00%	-4.90%	16.78%	28.46%	83.25%	179.46%
				5.31%	5.14%	6.24%	6.23%
<b>Aggressive Model Annualized</b>	-4.24%	0.50%	-7.00%	12.56%	24.03%	95.92%	232.28%
				4.02%	4.40%	6.96%	7.32%
<b>S&amp;P 500 Annualized</b>	3.53%	1.83%	1.53%	36.86%	77.90%	102.17%	81.15%
				11.03%	12.21%	7.29%	3.56%

- Aggressive Model
- Moderate Model
- Conservative Model
- S&P 500 Index

### US RSP Plan



**AAL**— It's been a bad few months for AAL. AAL was down -8.0% in May, after tumbling -15% in April. The summer holiday traveling season can't get here soon enough. AAL still trails the S&P500 YTD by a bunch.



### USAirways Pilots RSP (as of May 31, 2016)

#### Performance Stats

	YTD	1 Month	1 Year	3 Years	5 Years	10 Years	Inception
<b>Conservative Model Annualized</b>	-2.82%	0.00%	-6.64%	6.31%	14.68%	32.22%	61.92%
				2.06%	2.78%	2.83%	2.88%
<b>Moderate Model Annualized</b>	-4.50%	0.40%	-11.13%	7.64%	19.71%	51.50%	122.96%
				2.48%	3.66%	4.24%	4.83%
<b>Aggressive Model Annualized</b>	-6.34%	0.50%	-15.48%	1.28%	15.92%	48.09%	136.83%
				0.42%	3.00%	4.00%	5.20%
<b>S&amp;P 500 Annualized</b>	3.53%	1.83%	1.53%	36.86%	77.90%	102.17%	81.15%
				11.03%	12.21%	7.29%	3.56%

## American 401k

American 401k Plan Conservative Model		
Symbol	Fund Name	Allocate
FMPXX	Fidelity® Institutional Money Market	60.00%
AADVB	Diversified Bond Fund	10.00%
AALVI	U.S. Large Cap Value Stock Index Fund	10.00%
AALSI	U.S. Large Cap Stock Index Fund	10.00%
AAMCS	U.S. Small/Mid Cap Stock Fund	10.00%
		100.00%

American 401k Plan Moderate Model		
Symbol	Fund Name	Allocate
FMPXX	Fidelity® Institutional Money Market	36.00%
AADVB	Diversified Bond Fund	16.00%
AALVI	U.S. Large Cap Value Stock Index Fund	16.00%
AALSI	U.S. Large Cap Stock Index Fund	16.00%
AAMCS	U.S. Small/Mid Cap Stock Fund	16.00%
		100.00%

American 401k Plan Aggressive Model		
Symbol	Fund Name	Allocate
FMPXX	Fidelity® Institutional Money Market	19.00%
AADVB	Diversified Bond Fund	27.00%
AALVI	U.S. Large Cap Value Stock Index Fund	27.00%
AAMCS	U.S. Small/Mid Cap Stock Fund	27.00%
		100.00%

## US RSP

USAirways RSP Plan Conservative Model		
Symbol	Fund Name	Allocate
USBDX	Bond Fund	60.00%
RAFXX	Real Asset Fund	10.00%
USSCE	Small Cap Equity	10.00%
USLCV	Large Cap Value	10.00%
USMCX	Mid Cap Stock	10.00%
		100.00%

USAirways RSP Plan Moderate Model		
Symbol	Fund Name	Allocate
USBDX	Bond Fund	36.00%
RAFXX	Real Asset Fund	16.00%
USSCE	Small Cap Equity	16.00%
USLCV	Large Cap Value	16.00%
USMCX	Mid Cap Stock	16.00%
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RAFXX	Real Asset Fund	27.00%
USSCE	Small Cap Equity	27.00%
USLCV	Large Cap Value	27.00%
		100.00%

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

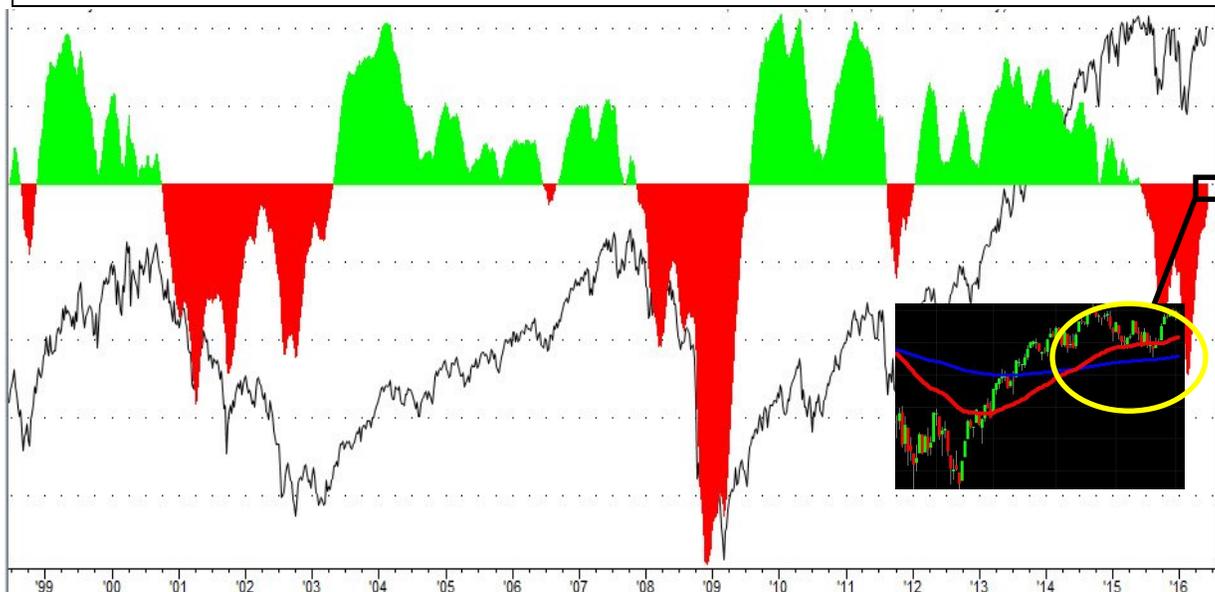
- **AA 401k CHANGES** in the models
- **US RSP CHANGES** in the models

• **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, the Fidelity Money Market for the 401K 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.



### APPROXIMATE Future Publication Dates

- 7/6/16
- 8/3/16
- 9/6/16
- 10/5/16
- 11/3/16
- 12/5/16
- 1/5/17
- 2/3/17
- 3/3/17



## from the CAPTAIN'S TABLE

### Upcoming November Elections

With only a few months left before the election in November, I am fascinated with the current unpredictable political landscape and the shakiness of both unofficial candidates. Like two out of control skiers going a bit faster than their skill level should dictate, they are racing toward the finish line seemingly a small misstep away from crashing. One skier never imagined he would be in the race. He put on the skies for the first time with tremendous gusto and off he went. He is understandably shaky and inexperienced yet finds himself still upright and trucking down the mountain picking up steam. The other more experienced skier should be running away, but it's like she has never learned how to despite being on skis many times. In fact, watching her race toward the end makes you wonder what the heck she has been doing and why she is not more talented. Neither one is all that impressive according to this observer, but it makes for good drama. And like an observer knowing that one or both could crash right off the mountain, I'll be watching both of these campaigns barrel down the slope to the finish in November. It would be amusing, if it weren't so serious. It would be entertaining if there weren't so much riding on the outcome. Like many of you, I'm sure; I scratch my head in dismay that this is the best we have to offer. What does it say about this country that both of these candidates are so unliked? Sure they each have their supporters, but they both are off the charts in "unfavorability" ratings as well. Rest assured, if they are both still standing in November, this country will elect the most unpopular president ever right from the get go.

How has this happened?

Well, we all know how Hillary got here. Deserving or not, this has been the goal of many in the Democratic Party since Bill left office. So here she is

with a chance to fulfill her dream and the dream of most Democrats around the country. Nothing will stand in their way, including this criminal investigation containing enough evidence to throw any one of us regular folk right into the courts and right out of this race. But that won't happen if the "powers that be" don't want it to. And they appear to not want it to.

But what I really want to focus on is this Trump movement. Why is he so popular? How is he still in the picture and seemingly picking up steam in spite of some controversial statements and childish behavior? In the days of PC, he is so not PC, and he's getting away with it. How is this happening? On one hand, I find it a bit refreshing...that you can actually call it what it is and not have to appease or cower to some special interest group. Maybe this is a welcomed beginning of a pushback against PC gone wild. If so, sign me up. But there is risk here for sure. What kind of world leader would he be? Does he have the temperament and diplomacy one needs to be the leader of the free world?

Whatever you think of Trump, he has tapped into an anger and is a symptom of larger forces at work. So has Bernie Sanders for that matter. And he is an admitted socialist, yet he has millions of supporters who are acting out powerfully against the establishment. Political talking heads and analysts are too caught up in who Trump is and not what he represents. It's not that people love Trump, the man. He has his warts and questionable endeavors for sure. But it's his ability to understand the pulse of the growing resentment and frustration of millions in this country. And he has the megaphone, the money, the name and the ability to speak and rally millions. People are angry, frustrated and fed up, and they want representation. Trump is speaking for the shrinking middle class in this country and the millions who have to live out poor policy created by bureaucrats who are too separated from reality. He speaks their language. And he is not the establishment. They don't care about anything else. They don't want to hear political speak mumbo jumbo. They are sickened by the crookedness that is Hillary and the like, the deception of our elected "leaders", and the ineptness of both political parties. They have been deceived time and time again by elected representatives who talk a big game of change and righting wrongs, and then fall in line once they get to Washington.

(Continued on page 7)



victory in November will send shivers down the spine of every sitting politician in Washington and send the message that the people in this country are fed up with business as usual and are taking their country back.

*Weston*

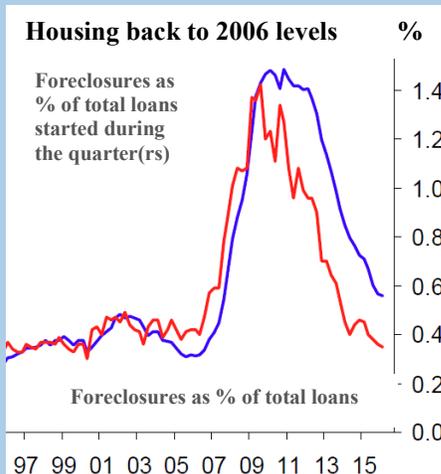
*Weston Pollock is a Managing Partner at Smith Anglin Financial, and leads the firm's marketing and business development. He regularly meets with prospective clients, counsels existing clients, participates in investment portfolio analysis and develops materials for communicating with the firm's clientele and target markets. He holds a BBA in Finance and Real Estate and numerous securities licenses and designations.*

If things hold true to form, and that's a big question mark given the unpredictability of this campaign season, Trump will be the Republican candidate. Yet, he is not a Republican. This is why he is so opposed by many Republicans wanting to preserve the Republican Party. They will not support Trump because he doesn't represent their views. So all the talk of expanding the party to appeal to more voters was just that. They would rather lose the election than vote for him. All the more reason why a Trump victory in November might be the best thing that could happen. Neither hard-core Democrats nor Republicans want to see it happen. Maybe that is a sign that it should. A Trump

**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.

(Continued from page 2)

However, there are positive aspects to the current cycle as well. Early in the recovery, there was an unusually high (and unhealthy) correlation between stock market volatility and hiring patterns. That trend has dissipated. Also important are recent signs of increased spending and investment on the part of the consumer. April's retail sales gain of 1.3% was the largest monthly gain in more than a year. Perhaps the most recent positive news on the sustainability of the current growth cycle comes from the housing market. Recent data on sales of new and existing homes show we're back to the volumes and prices we saw in 2007, before The Great Recession. The housing sector usually provides growth leadership in the first half of an economic expansion, but in the current cycle the recovery in housing was significantly delayed due to the last cycle's housing bubble and bust and all of the misery that followed (i.e. foreclosures, debt and inventory overhang, and tightened lending standards). The fact that the housing sector is moving higher now indicates that the growth cycle may have legs. Now if only someone could make sure this housing recovery doesn't balloon into another housing bubble ... again.



Source: MBA, DataStream, DB Global Markets Research

### The world's capital markets are experiencing a so-so year thus far.

The S&P 500, once down almost 11% in 2016, is now up about 3.5% year-to-date (through 5/31), with more than half of those gains coming in May. While no one knows for sure what the future holds, investors may want to think twice before jumping into the U.S. market with both feet, as it appears fully valued, at least on an earnings basis (trailing price/earnings ratio of 24, estimated P/E of 17.75). This may mean gains in the market will be limited until earnings growth can lead the way because concerns about global growth, valuations, and the course of U.S. interest rates have all kept the S&P from achieving new all-time highs for more than a year.

However, the U.S. continues to lead the world's developed markets, which are down around 1% year-to-date. The index for emerging markets stocks is up a little more than 1% YTD, but it's been a roller coaster ride as emerging markets were down more than 10% twice this year already and tumbled more than 4% in May alone. The U.S. bond market has seen gains this year of about 3.5%, rivaling U.S. stocks and with only a fraction of the volatility, pointing out again the value of owning a diversified portfolio. Commodities continue their rebound. Oil prices are up more than 30% YTD and are up more than 80% from their lows in February. Gold is up around 15% YTD, but was down 6% in May. It's now obvious that the sell-off in commodities was overdone.

**So we're back to our quote from King Henry VIII: "Things done well and with a care, exempt themselves from fear."** While Henry was mistrusting, unfaithful, moody and greedy, he may have nailed it here – at least when it comes to investing. If you inform yourself by really knowing the facts and issues, and if you can then use that knowledge to develop a well thought-out plan, only then can you execute that investment plan, making small adjustments along the way. Investing – even in today's topsy-turvy world – doesn't need to be an exercise in fear. And for those who don't want to walk through those steps alone, or for those who may want to delegate them to someone more experienced and less emotionally attached, then finding an advisor to work with makes a lot of sense.

Markets have been very volatile this year. The Russell 2000 index which tracks the performance of small-cap stocks and is represented by the orange line, was down 15% in February. The daily trading volume of small cap stocks is much lower than say in a large-cap index like the S&P 500. When forced selling hits an illiquid market like the Russell 2000, the moves are much more exaggerated. The opposite is true when buyers move into illiquid markets. They will tend to get exaggerated to the upside.

The S&P 500 and the DOW have been in lockstep for most of the year with the S&P 500 year-to-date performance of 2.37% and the Dow with a meager 1.7%.



As you can see the YTD performance hasn't offered much to investors considering the volatility that had to be endured.

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