EMERALD ASSET ADVISORS, LLC

Investment Strategists for Successful Families

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Thank you for reading GreenThought$. It is our privilege to provide you with our insight on current financial market events and our outlook on topics relevant to you.

Second Quarter 2017: Investment Market Summary

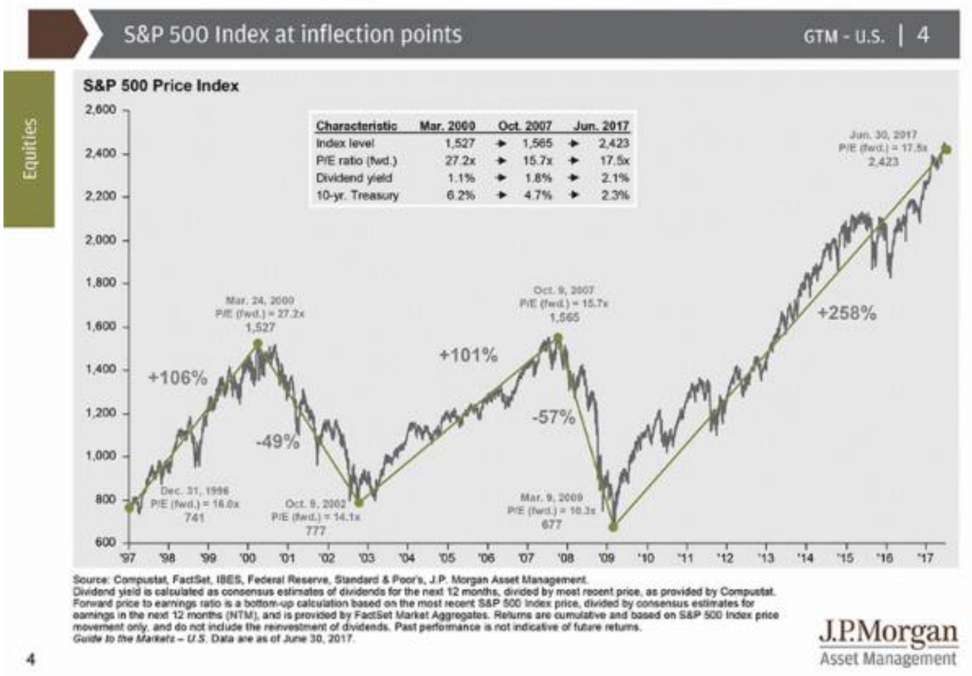
Looking Back on The Year to Date

It's doubtful that the Rolling Stones had the capital markets in mind when “You Can't Always Get What You Want” was first released in 1968, but there is some relevance to our current markets. Regardless of political leanings, most of us were hoping that by now we'd have an improved health care system, an outline of tax reform, an infrastructure program and improved trade deals among other things. The stock market had a sustained rally soon after the election of President Trump, in part in anticipation of these things. As of this writing, however, none of these have materialized.

So far in 2017, although we may not have gotten what we want, perhaps we did get what we need:

Including dividends, year to date the S&P 500 large cap index is up 9.3% and the Russell 2000 small cap index is up 5%. Bonds, which often move in the opposite direction of stocks, are up 2.3% so far this year, as measured by the Barclays U.S. aggregate index. And the international markets, which have under performed their U.S. counterparts in recent years, made up for lost time. International developed markets, as measured by the MSCI EAFE index, were up 13.8%. And the best equity asset class so far in 2017 are the emerging market equities. The MSCI Emerging Market index is up 18.4% so far in 2017.

So as we fondly look back on the six months past, the important question is: What's in store for the rest of the year? As one pundit once quipped, “Unfortunately we have to trade on the right edge of the chart!” Looking at the chart below from JP Morgan, specifically at the right edge, can we determine the next move of the markets? Although the obvious answer is no, there's still value in looking where we've come from to get to this point.



While markets rarely move in a straight line, the move off of the low in early 2009 has been impressive. In fact, we're in the midst of the second longest bull market in history. Aside from trying to predict where we go from here, we'd suggest this is an excellent time to review your portfolio and assess whether your risk tolerance has changed since you and your advisor last discussed your asset allocation. A bear market is typically defined as a 20% drop in price from the highs, and a 10% drop is referred to as a correction. Looking at this chart, would a correction or bear market be an unpleasant surprise? Are you in a position, emotionally or financially, to ride out such a move? When things are going well is the best time to ask yourself these kinds of questions, and if the answer is "no," talk about your concerns with your advisor and decide if any changes are necessary. We look forward to speaking with you.

Regards from the Emerald Team

About Emerald

Emerald Asset Advisors, LLC is a Registered Investment Advisor (RIA) founded in 1998. For more information, please visit our website.
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