Weekly Market Commentary
September 26, 2016

The Markets

As expected…

The U.S. Federal Reserve left rates unchanged last week and markets celebrated. Across the globe, national stock market indices finished the week higher. In the United States, the Standard & Poor's 500 Index and NASDAQ gained more than 1 percent.

Not everyone was thrilled with the decision, however. Three Federal Reserve presidents cast dissenting votes. All believed interest rates should move higher. That's the most dissents since December 2014 when even the dissenters were divided about what should happen.

Proceeding with caution is the right approach, according to *Barron's*:

> "A rate hike is usually aimed at preventing an economy from overheating, and there's no sign of that – not even close. Housing activity has been disappointing, wholesale inflation is weak, retail sales are declining, and manufacturing activity is slowing. Such a confluence of negative data has never stopped the Fed from tightening rates – the central bank did so in December, even though the economic data looked even worse than it does now – but it isn't exactly screaming for immediate action."

While that may be true, *Financial Times* suggested markets are coming to the conclusion the influence of central banks may be limited, and those limits may be near.

We'll find out eventually. In the United States, the new consensus is we'll have a rate hike for the holidays, according to *CNBC.com*.

Data as of 9/23/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.2%	5.9%	11.7%	8.4%	13.8%	5.0%
Dow Jones Global ex-U.S.	3.1	4.7	7.8	-1.5	4.5	0.2
10-year Treasury Note (Yield Only)	1.6	NA	2.1	2.7	1.8	4.6
Gold (per ounce)	2.3	26.0	18.3	0.4	-4.5	8.6
Bloomberg Commodity Index	1.3	7.3	-3.3	-12.9	-10.0	-6.0
DJ Equity All REIT Total Return Index	4.3	14.5	23.0	14.2	16.0	6.6

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

IT'S AN ELECTION YEAR! The influence of elections on markets, investors, and economies has been examined and re-examined over time. Theories have been developed. Ideas have been promoted. Some may be accurate; some may not be. Here are a few things to keep in mind especially if markets get volatile before the election:

- **Stock markets don't care who is elected:** You may have read markets perform best when Democrats win, or you may have read markets outperform when Republicans are elected. The numbers just don't prove out either way, according to a white paper from *BlackRock*:

  > "…while many investors connect political alignment with equity market returns, very few of these patterns hold up to scrutiny. Historically, whether a Republican or Democrat occupies the White House has had no statistically significant impact on U.S. equity markets."

- **Change tends to happen slowly, especially with divided government:** We've all become familiar with the term, 'gridlock.' There are issues – taxes, immigration, energy – that have been debated for years. In general, policy changes have been relatively small. Sometimes, changes have been reversed. *Morgan Stanley* concluded, "Hence, election outcomes where one party controls both the White House and Congress are most conducive to expeditiously putting transformative policies into practice."

- **The strength of the economy influences voters.** According to *Oppenheimer Funds*:

  > "Decades of history prove that the state of the economy determines the president, not the other way around. In fact, the economy's impact on elections can be stated in a fairly simple equation: Strong economy (declining [un]employment and inflation) = a win for the incumbent party candidate."

  If that's the case, it will be pretty difficult to guess a likely winner. A *Gallup* poll found just as many Americans viewed the economy positively as those who viewed it negatively in early September. On the other hand, more Americans said the economy was getting worse than those who thought it was getting better.

Weekly Focus – Think About It

"We in Britain stopped evolving gastronomically with the advent of the pie. Everything beyond that seemed like a brave, frightening new world. We knew the French were up to something across the Channel, but we didn't want anything to do with it."

--John Oliver, British comedian

Best regards,

FIDES Wealth Strategies Group

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

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* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* The Standard & Poor's 500 (S&P 500) is an unmanaged index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* You cannot invest directly in an index.
* Consult your financial professional before making any investment decision.
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