

# WEEKLY MARKET COMMENTARY

For the Week of November 14, 2016

## THE MARKETS

Although analysts had predicted a 5 to 10 percent drop if Donald Trump won the election, the market bounced last week. The Dow Jones finished its best week since 2011, and the S&P 500 realized its strongest weekly gain in two years. For the week, the Dow rose 5.52 percent to close at 18,847.66. The S&P gained 3.87 percent to finish at 2,164.45, and the NASDAQ climbed 3.78 percent to end the week at 5,237.11.

Returns Through 11/11/16	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	5.52	10.70	9.33	8.77	11.98
NASDAQ Composite (PR)	3.78	4.59	3.36	10.14	14.35
S&P 500 (TR)	3.87	7.90	6.62	9.18	13.78
Barclays US Agg Bond (TR)	-1.37	3.60	3.76	3.30	2.60
MSCI EAFE (TR)	0.10	-1.81	-3.16	-1.43	5.27

Source: Morningstar.com. \*Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.

**Second Choice, but the Winner** — George W. Bush won the 2000 presidential race but did not win the popular vote, the first time that happened since 1888 or 112 years earlier (source: PresidentElect.org, BTN Research).

**How About This Time?** — Just 46 percent of eligible millennials voted in the November 2012 election, compared with 69 percent of baby boomers who cast a vote. Millennials are adults who were aged 15-31 in 2012, i.e., individuals born from 1981-1997. Baby boomers are defined as adults born from 1946-1964 (source: AP, BTN Research).

**At My Best** — The average American borrower reaches the apex of his or her decision-making abilities with regard to fees and interest costs at age 53, i.e., the experience and knowledge acquired during your 30s and 40s is maximized at age 53 but then declines thereafter as cognitive abilities diminish in older Americans (source: Sumit Agarwal, Federal Reserve Bank of Chicago, BTN Research).

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Page 2 of 2

## WEEKLY FOCUS – Ballots and Portfolios

With passions running high throughout the 2016 presidential election campaign, the stock market jumped up and down as headlines either calmed or alarmed investors. Now that Donald Trump has won the electoral vote in a stunning upset, Americans naturally wonder how his victory will impact their finances and portfolios.

It is always uncertain whether any new president will be able to enact his platform. Policy changes must work their way through a slow, deliberative process. Mr. Trump's ability to sway Congress is even harder to predict since he has never held public office. Regardless, let's briefly examine some of his positions.

The president-elect favors replacing the Affordable Care Act with something less expensive to businesses and has advocated fewer regulations, corporate tax cuts and a one-time tax holiday to encourage U.S. companies to bring operations back from overseas – measures which could stimulate economic growth. The protective international trade measures he has proposed could benefit companies with a predominately U.S. market, hurt international corporations and possibly cost jobs if other nations create their own tariffs, reducing U.S. exports.

Two areas where the president-elect and Congressional Republicans are likely to find common ground are tax reform and regulatory reform. But although Republicans control both houses, for now they have less than the 60 votes needed in the Senate to pass most legislation. This means new legislation will require at least some bipartisan support to succeed. Mr. Trump has also called for higher defense and infrastructure spending, along with tax cuts for private individuals, which could accelerate inflation. Should these measures succeed, it will become all the more important for portfolios to include investments with significant growth potential.

It's human nature to get anxious when an event creates uncertainty. But more often than not, it's wise to take a step back to get a longer view, keep calm and carry on. Market history suggests many businesses have learned to prosper regardless of what transpires in Washington. Specifically examining election years among 10 presidential administrations from 1951 to 2015 reveals eight election years enjoyed double-digit average stock returns. One had a single-digit return. In a financial crisis and the burst of the dot-com bubble, George W. Bush's election year, 2008, was the only one with a near-zero return. If you have questions or concerns about your individual situation, please call our office to set up an appointment for a thorough review of your portfolio and long-term investing strategies.

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\* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America, Copyright November 2016. All rights reserved. Securities offered through Securities America, Inc., Member FINRA/SIPC. SAI#1643470.1