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Who Are You Going to Listen To?

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Over the nearly 30 years I've been advising clients on their portfolios, I've learned a lot of lessons. Two of these lessons have been particularly important in times like these when, for the third consecutive year, January statements show declines in account values. Nothing raises anxiety levels quite like the media screaming "selloff!"

The first pertinent lesson I've learned is "who" to listen to. Not all "advice" is appropriate for everyone. (People who "trade" rather than "invest" operate with a completely different mindset than my clients and I do!) A more important aspect of "who to listen to" is that some folks simply have been more reliable than others. Just because a TV "talking head" predicts something doesn't make it true. Over the years I have studied, followed, taken notes, and kept records of folks I consider smarter than me. While I do certainly study and analyze the markets to form my own opinion, I also "check in" with others whose advice I've seen be more often right than wrong. No one is right all the time (not even me – just ask my wife and kids!), but I have found that listening to the likes of Jeffrey Saut (who I've known personally since 1986); Mark Keller of Confluence (formerly A.G. Edwards) who I've known since 1991; Laszlo Birinyi, whom I've closely followed since the late 1980s – and several others, past and present – has kept me grounded and on the right track the vast majority of the time. I've also "learned" a number of folks to not listen to, but I won't list those because my mother always says "If you can't say something nice …" Well, you know the quote! Suffice it to say, not all "spouters of investment advice" are equal. Those I trust, I trust deeply. Those I don't, I take with a large grain of salt.

The other lesson pertinent to current market conditions is another "who" to listen to. That "who" that everyone must decide on is your own mind or your emotions. For 30 years I've witnessed many, many wild market gyrations and one thing has been a constant. In spite of my often repeated mantra of "Own quality, be diversified, invest in patience," investors are often tempted by the two demons of fear and greed. We all plan with our *rational brains* and then react with our *powerful emotions* – usually to our peril. Keeping our emotions in check (particularly the stronger one – fear) takes great effort, but is crucially important.

My bottom line on the current stock market action (based on all of the above): I don't think we will have a recession in 2016 nor will we have a market collapse like 2000-2002 or 2007-2009. However, I do know that over the past 35 years, the S&P 500 has had an average return of 9.8%. Perhaps more importantly, the average intra-year selloff has been 15.4%. That's what I mean when I say: "The 'price' you pay for the higher returns that stocks have delivered over time is the uncertainty of ***'when'*** those returns will come and the ***volatility*** of the journey." So true.

Do I think we will end 2016 with a positive return? While there can be no guarantees, I certainly do. Do I think we will have a bumpy ride on the way there? I absolutely do – with the first half rougher than the second half of the year.

Anytime you contemplate what to do with your investments, consider this quote from another guru, the famous Warren Buffett: "The market is the most efficient mechanism anywhere in the world for transferring wealth from impatient people to patient people." ***Invest in patience***. If you need help with that, give me call.

The S&P 500 is an unmanaged index of 500 widely held stocks that is generally considered representative of the U.S. stock market. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow," is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal. The MSCI EAFE (Europe, Australasia, and Far East) is a free float-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 22 developed nations. The Russell 2000 Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index, which represent approximately 8% of the total market capitalization of the Russell 3000 Index.

Additional important disclosures about HLO may be found in our Form ADV Part 2A. For a copy, please email our firm's Chief Compliance Officer, Sharon Dew at sharon@hlormond.com