

W. James Steen, CFP®
jim@petrafin.com

Jason A. Pearson, CFP®
jason@petrafin.com

(O) 937.294.9000

www.petrafinancialsolutions.com



[JOIN US ON FACEBOOK](#)



Every four years the international sporting competition trials add a little more excitement to the summer, as we watch the world's greatest athletes come together to compete for top honors in their respective sports. It's hard to believe that the Summer Games are upon us once again, as we're now half way through 2016. No matter what the storyline is heading into the Summer Games, I can't help but stay glued to the television and watch the athletes wow us with their extraordinary feats of athleticism, agility, speed, and calculated recklessness. When the events are over and the winners are awarded their medals, it's just astounding to think that out of thousands of athletes that compete in these sports, the ones who end up on the medal podium are the best in the world, or as we like to say, "world class."

It was 2012 when we last had the opportunity to watch these athletes compete on such a grand scale, but the athletes that make it to these games are not chosen at random or for their perceived potential. They must earn their trip to Rio by performing well in trials. Much like these athletes, stocks too compete for the right to be added to your portfolio. Think about it for a second. Out of the thousands of stocks that are traded throughout the global exchanges, all of these stocks have to compete against each other on a day-to-day basis. Athletes are chosen to represent their country based on quantifiable metrics i.e. time, distance, and points. Those that rank the best are rewarded with a spot on their country's team.

So, when one has to determine which stock, sector, or asset class is worthy of that coveted spot on a team -- meaning a place in your portfolio, it's best to start by putting each stock through its own competition. One quantifiable metric that has a tried and true history of providing an objective measure of performance is price. Every day stocks compete in the market and every day the results of these competitions are recorded. By recording the results of this daily competition we can rank stocks, sectors, and even asset classes in order to objectively see which areas of the market are performing the best, in addition to seeing which stocks areas are performing the worst. The resulting ranking provides us with the ability to select holdings in a portfolio that have earned their way in the same manner that Summer Games athletes must earn their ticket to the Summer Games.

Taking a look at how competitions within the stock market have gone thus far this year, most investors would characterize 2016 as challenging. After experiencing a 10 percent correction during the first quarter the market rebounded during the second quarter. In many cases the first quarter saw a number of trends end and new ones emerge, while the second quarter saw many of the new trends begin to hit their stride much like an track relay team passing the baton from one runner to another runner who is ready to complete his or her leg of the race. All told the S&P 500 Index gained 1.90 percent during the second quarter despite the volatile swings that took place during June. The Energy, Basic Materials, and Utilities sectors were leaders within the domestic equity space, while the Consumer Discretionary and Industrial sectors underperformed, on the whole, during the second quarter.

Interest rates around the world moved lower in the 2nd quarter sparking talk of negative rates. Here in the US, the Fed closed the possibility of an interest rate rise in June because of a poor May jobs report. The yield curve continued to flatten as longer term rates fell. We saw improvement in many of the fixed income asset classes even including emerging markets but the long duration government and corporate bonds were the better performing classes.

There was no shortage of volatility in the International Equities asset class as markets speculated on the possible news of the UK leaving the European Union. While the developed markets, especially in Europe, struggled in the quarter, the emerging markets such as Brazil and Russia, helped by Energy and Basic Materials, were the place to be. While much of the focus was on the global equity markets, Commodities quietly became a leading asset class in the second quarter. After a year of underperformance, commodities performed very well during the quarter as energy and certain agricultural markets rallied sharply. Commodity indexes also benefited from the strong performance of gold. While we do not know if these newer trends will continue, we do know that our relative strength driven processes will guide us in adapting to changes.

If you have any questions regarding portfolio strategies during periods like this feel free to contact me and I would be happy to discuss them in further detail with you. In the meantime, kick back, relax and enjoy the rest of the summer.

Thank you for your business and support,

P.S. If you think this type of information would be of benefit to anyone you know, please share this communication with them.

These are the views of James Steen & Jason Pearson. No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy.

All economic and performance information is historical and not indicative of future results. The market indices discussed are unmanaged. Investors cannot directly invest in unmanaged indices. Securities and Advisory Services offered through Cetera Advisors LLC, member FINRA, SIPC. Petra Financial Solution is not affiliated with Cetera Advisors LLC, Petra Financial Solutions, Inc. 3055 Kettering Blvd., Suite 218. Dayton, OH 45439.


PETRA
Financial Solutions, Inc.