

September 13, 2016

Re: **SFP Conference Call: Tuesday, September 27, 2016**

Dear client,

I wanted to get a quick letter to you before I board the plane to Oxford and give you my opinion about the direction of the securities markets. I will have a better picture of what is going on when I meet with my colleagues and professors this weekend. It is alumni weekend and I have lots of informative meetings and conferences to attend.

Last week we had a hiccup in the market, mostly due to the prospect of a tightening in interest rates. The Federal Reserve has threatened this action before and in typical response, the market didn't like what it heard. When the market throws an interest rate "tantrum" those who abandon their portfolios later regret it.

My take is that a small interest rate hike shouldn't disturb the markets. A 0.25% jump in interest rates is more symbolic than anything else and in my opinion, isn't sufficiently large enough to cause any damage. To me, a growth consolidation due to a rising dollar poses a bigger problem and that could cause a significant correction. However, neither a bear market nor recession is imminent.

Both stocks and bonds have fared well this year, but corrective forces are gathering. Even though the underlying ability of the U.S. economy to grow is not what it was, the steady but unspectacular growth combination with low inflation is not bad either. In this environment even a moderate slowdown could bring on a correction in stocks. However, the slowdown should prove to be moderate and fleeting because the U.S. economy has no imbalances like it did in 2008. The bottom line is there are no catalysts for a bear market in stocks. Economic volatility is low and I expect the Federal reserve to go slow on raising interest rates, most likely not before December. Therefore, for new investors going into equities and high yield bonds, it is not very compelling at this stage. Patience is advised. More of this will be discussed in our upcoming conference call on Tuesday, September 27<sup>th</sup>.

Please join us for our next conference call on **Tuesday, September 27, 2016 at 6:30 p.m.** To access the conference call, **please dial the toll-free number: 1-800-914-8405. Once prompted, enter the access code: 5486434, followed by the # button.** Also follow me while in Oxford on our SFP Facebook page.

Cheers!

Steven Lee Yamshon  
Investment Counsel