RAI WEALTH

Commentary

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The Markets

It's déjà vu all over again!

The Chicago Board of Options Exchange (CBOE) Volatility Index, also known as the VIX, tracks the prices of options on the Standard & Poor's 500 (S&P 500) Index. Since options often are used to hedge portfolio risk, the VIX is considered to be a 'fear gauge' that has predictive value with regard to market volatility during the next 30 days. The VIX moves higher when investors are worried and lower when they're feeling content.

Last Friday, the VIX dropped to 11.18, which was a two-year low. *Financial Times* attributed investor complacency to "…a buoyant U.S. jobs report and easy monetary policy." However, it also pointed out analysts' concern that the current lack of fear reflects a disregard for threats to world economic stability as well as sparse trading during a vacation month.

Last year in early August, we saw a similar phenomenon. The VIX reached very low levels and then it zoomed from 13 to 53 between August 18 and August 24. At 53, the VIX was higher than when Standard & Poor's cut the credit rating of the United States in 2011, or at the apex of the European debt crisis in 2010. *Barron's* explained last year's move like this:

"...volatility isn't simply a measure of fear. It has been used to manage risk in portfolios that employ sophisticated trading schemes…Although each type of fund adjusts to market changes at a different speed, they all respond in the same way – by selling stocks…"

There is no gauge to predict whether the VIX will remain low or bounce higher during the next 30 days, but some big name investors are feeling bearish despite the VIX's outlook for short-term calm. *Barron's* reported, "elder statesmen of the markets, including Stanley Druckenmiller, George Soros, and Carl Icahn, all have deemed themselves negative on stocks…"

Regardless, the S&P 500 Index and the NASDAQ finished the week at record levels.

Data as of 8/5/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.4%	6.8%	4.0%	8.5%	12.7%	5.5%
Dow Jones Global ex-U.S.	-0.8	1.5	-7.5	-1.1	1.1	0.0
10-year Treasury Note (Yield Only)	1.6	NA	2.3	2.6	2.6	4.9
Gold (per ounce)	-0.1	26.2	23.5	0.9	-4.2	7.5
Bloomberg Commodity Index	-0.5	6.7	-7.7	-12.5	-11.7	-7.2
DJ Equity All REIT Total Return Index	-2.0	16.1	21.1	14.2	15.6	7.2

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.

HAVE YOU LIVED UP TO YOUR PARENTS' EXPECTATIONS? In early August, *The Harvard Business Review* published an article about an unexpected source of career conflict: parents! Stew Friedman, the article's author, who is a Wharton professor and founding director of the Wharton Leadership Program wrote:

"…business professionals at various stages in life, from college students to mid-career executives, talk more about their mothers and fathers than their spouses and children as sources of career conflict. Here is a small sampling of what I've heard:

- *'My parents have always made me feel that my accomplishments fall short of expectations; I'm a disappointment to them and this undermines my confidence in choosing a career direction of my own.'*
- *'My parents expect me to marry a particular (kind of) person, even if committing to that potential spouse would cut against my career goals.'*
- *'My parents insist I live in a particular geographic location, but this will seriously inhibit my career options and future growth.'*
- *'I feel obliged to care for my parents in their old age, but I cannot figure out how to coordinate the allocation of these responsibilities with my siblings; the resulting stress is a major distraction from my efforts to focus on work.'"*

While it isn't a surprise to most people the needs and expectations of parents don't always sync with those of their children, Friedman had some suggestions for reducing disharmony: stakeholder dialogues. In other words, initiate conversations with the people who are most important to you and discuss mutual expectations. In the end, you may gain insight to and clarity around others' thoughts and expectations as well as the ways in which they influence your decision-making.

Weekly Focus – Think About It

"The first week of August hangs at the very top of summer, the top of the live-long year, like the highest seat of a Ferris wheel when it pauses in its turning. The weeks that come before are only a climb from balmy spring, and those that follow a drop to the chill of autumn, but the first week of August is motionless, and hot. It is curiously silent, too, with blank white dawns and glaring noons, and sunsets smeared with too much color."
--Natalie Babbitt, Author of Tuck Everlasting

* You cannot invest directly in an index.
* Stock investing involves risk including loss of principal.
* Consult your financial professional before making any investment decision.

Sources:

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