RAI WEALTH

Commentary

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The Markets

Surprise!

Markets were remarkably sanguine following the election of Donald Trump to the presidency of the United States.

There was a moment of panic. As election results rolled in on Tuesday, Gold prices rose and Treasury yields fell, as investors sought safe havens. Dow Futures, a measure of overnight sentiment, fell by 4 percent, and Standard & Poor's 500 futures dropped 5 percent. (When index futures trade lower before the market opens, it is an indication investors expect the actual index to trade lower when the market opens.)

The losses triggered market circuit breakers, forcing investors to take a moment. They listened to President-elect Trump's conciliatory acceptance speech, reassessed the political and economic landscape, and liked what they saw, according to *Barron's*. *Financial Times* offered this assessment:

"Fear and loathing was the overriding sentiment of fund managers and analysts contemplating the market implications of an unlikely Donald Trump presidency…But when confronted by the reality of his election win, stock investors swiftly switched back to their more natural state of optimism, focusing on the prospect of growth-boosting stimulus, tax cuts and tax reform, and the rollback of industry-inhibiting regulation. Simultaneously, bad policies were dismissed as campaign rhetoric."

Bond markets weren't enthusiastic about the President-elect's fiscal stimulus plans. *Barron's* reported:

"The 30-year bond climbed 0.3 percentage point to 2.94 percent, resulting in a 6.3 percent decline in price. (Bond prices move inversely to yields.)…It wasn't just Treasuries. Municipal bonds, corporate bonds, and preferred securities all fell. Bloomberg estimates $1 trillion in the value of bonds evaporated last week after the election."

There was speculation Mr. Trump's win would cause the Federal Reserve to delay the next rate hike. However, in a speech on Friday, Federal Reserve Vice Chairman Stanley Fisher said the Fed seems reasonably close to achieving its inflation and employment targets. "Accordingly, the case for removing accommodation gradually is quite strong, keeping in mind that the future is uncertain and that monetary policy is not on a preset course." It appears rates may move higher in December.

Data as of 11/11/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	3.8%	5.9%	4.3%	6.9%	11.4%	4.6%
Dow Jones Global ex-U.S.	-0.9	-0.6	-2.7	-3.5	1.6	-1.0
10-year Treasury Note (Yield Only)	2.1	NA	2.3	2.8	2.1	4.6
Gold (per ounce)	-5.1	16.4	13.9	-1.2	-7.0	-7.1
Bloomberg Commodity Index	0.1	6.1	-0.3	-12.3	-11.0	-6.7
DJ Equity All REIT Total Return Index	-0.9	2.0	5.5	10.0	11.0	5.0

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.

IT'S JUST NOT EASY TO DO. Brexit came as a shock to many. So did the outcome of the U.S. election, but let's face it – whether you're trying to evaluate the potential of a company or the future of a country – predicting what may be ahead is never easy.

For instance, back in 1901, John Elfreth Watkins conferred with the "the wisest and most careful men in our greatest institutions of science and learning" to determine what might happen during the next 100 years. His predictions weren't all accurate, but some were quite insightful:

"There will probably be from 350,000,000 to 500,000,000 people in America and its possessions...Nicaragua will ask for admission to our Union after the completion of the great canal. Mexico will be next. Europe, seeking more territory to the south of us, will cause many of the South and Central American republics to be voted into the Union by their own people."

"The American will be taller by one to two inches. His increase in stature will result from better health, due to vast reforms in medicine sanitation, food, and athletics. He will live fifty years instead of thirty-five as at present – for he will reside in the suburbs."

“Hot or cold air will be turned on from spigots to regulate the temperature of a house as we now turn on hot or cold water from spigots to regulate the temperature of the bath…”

“There will be no street cars in our large cities. All hurry traffic will be below or high above ground when brought within city limits...These underground or overhead streets will teem with capacious automobile passenger coaches and freight wagons, with cushioned wheels…Cities, therefore, will be free from all noises.”

“Wireless telephone and telegraph circuits will span the world. A husband in the middle of the Atlantic will be able to converse with his wife sitting in her boudoir in Chicago. We will be able to telephone to China quite as readily as we now talk from New York to Brooklyn.”

The future is always ripe with possibility.

Weekly Focus – Think About It

“Yesterday is not ours to recover, but tomorrow is ours to win or lose.”
--*Lyndon B. Johnson, 36th President of the United States*

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