MADISON PARK
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2016 Q3 Market Recap

And the Next President Is?

While we can't answer that question, we do know that we will all know that answer on November 8th. We also know that many other important races will be determined on that date, including potentially the balance of power in the Senate and the direction of the Supreme Court. We know based on history that the first two years of a new President tend to be subpar, followed by a robust second two years. Will that happen this election? Again, anybody's guess.

The markets in the US and around the world were generally positive in Q3, with international markets performing better than our domestic markets. Interest rates ticked up a bit in the 3rd quarter with the Barclays aggregate index eeking out a gain for the quarter.

For those of you who read this each quarter, you know we have been saying that the country's finances need to get on a stable footing. For fiscal year 2016 (ended Sept. 2016) the US debt grew by over $1.4 Trillion, the 3rd largest amount in history, and are expected to increase as the population gets older and more Baby Boomers go into retirement and are on Medicare. As near we can tell, demographics are one of the things in life you can't avoid forever. For now, we kick the can down the street with our debt close to $20 trillion in total, not included unfunded liabilities.

The third quarter brought accelerating GDP with a current estimate of 2.9% and an expectation for the economy to finish the year strong after a weak first half. We are still in the late innings of this bull market and nobody can accurately predict when it will end, but we will continue to be vigilant about safeguarding your money to major downturns in the market.

Currently we are overweight equities (mostly US equities) and underweight bonds and most commodities. As always, we

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look to our indicators to tell us which asset classes are being treated best and look for a sustainable trend in the markets. The biggest problem this year has been that trends have reversed almost as quickly as they start. Buy and hold this year has been a winning strategy, although it is a very hard strategy for most when you look at the first six weeks of the year down over 10%, Brexit, and now a crazy presidential election.

We are still very bullish for the long-term, given technology changes that include solving horrible medical afflictions, artificial intelligence, virtual reality, robotics, 3D printing, cloud computing, the internet of things – and the list could go on. There is now talk about what people do when robots are doing the work that humans do now. There is also talk about a "universal salary" or "basic income" from the governments to citizens so that everyone can have some income, with no means testing or work requirements. Switzerland already had a national vote on their "basis income," which would have paid every adult $2,500 a month and children about $700 a month. As technology races to autonomous driving cars, machines that do the work of humans, what do we do with our free time? I guess you still need someone to run the machines...

As always, we encourage you to call or email if you wish to have a longer discussion surrounding these, or any topics. We look forward to speaking to you when you do. If you have friends or family that you would like to pass this along to, please feel free.

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