Leigh Baldwin & Co.

Investment Brokerage

It seems like everyone has a prediction on where the market is going…Jim Cramer can have three or four different calls on the subject in the same day! Markets are made by the constant conflict between bulls, bears, economists, politicians, and the guy next door. As William Feather quipped, "One of the funny things about the stock market is that every time one person buys, another sells, and both think they are astute."

Well stock investors were not so astute this past quarter as all three major indexes were on target for their worst quarter since 2011. For the Dow, it is even harder to stomach as the venerable index is now down for three consecutive months. So the question becomes, was this recent downturn predictable? With a clear head and the benefit of hindsight, let's look at what led up to this correction and all one needs to consider is that prior to this let down, the markets had gone 46 months (just less than four years) without a 10% correction. That streak, without a significant bear move, is one of the longest and best runs in modern history. Unfortunately, math will and does eventually takeover and this correction, while brisk and a bit painful, was inevitable and by definition, predictable.

Now comes the hard part, we are in the midst of a sell-off and as investors we need to understand the depth and length of the correction. We need to measure the positives, improving economic numbers and lean, profitable companies for example versus a slowing China, major issues in commodities and emerging markets like Brazil, combined with a higher interest rate environment. As the economic battle rages, and knowing the difficulty of predicting future market moves, we can take some comfort in the following two ideas…

1) We need to remind ourselves that it is a market of stocks and not a stock market. Good stocks, ones that are increasing their earnings and their sales, will go up over time and we will be rewarded by their dividends and/or capital appreciation.
2) The Dow has gone down over 20% only two times for the calendar year over the past 30 years. Does the current environment, even with all the negative headlines, feel like we are headed into a major economic recession?

As investors, we need to be diversified and have a portfolio that matches are risk tolerance and objectives. We should take particular notice of what the costs are to manage our assets and understand the risks inherent in fixed income today. Now, as always, is a perfect time to have an honest conversation about your investments and your long-term plan. The National Oceanic and Atmospheric Administration predicted that there would be lower than usual activity and only one hurricane in 1992. They were right, but unfortunately that one hurricane was Andrew, a category 5 that blasted Miami. Let us help you hurricane proof your portfolio and as always, thank you for your business and confidence in our firm.

112 Albany Street
Cazenovia, New York 13035
315-655-2964, 315-655-9138 fax
leigh@leighbaldwin.com