

Leigh Baldwin & Co.

Investment Brokerage

Politics Is Usual

Spain is the Rodney Dangerfield of countries. Spain is also the worlds' 14th largest economy and they have been a member of the European Union for 30 years, but they can't catch a break. As the markets convulse over the recent "Brexit" and the up and downs of the US presidential election, Spain, with little media attention from US talking heads, stumbles on without a government. Facing an uncertain future, the Spanish electorate again has opted for change through another general election. With this as a backdrop, retail sales were up 4.4% in March and mortgage production is up 25 percent all the while the benchmark Spanish index has gained 20% since February. There you have it; an economy can survive and even thrive without a government. Maybe Brexit and the absurdity that is our presidential election will not be what kill the markets.

Speaking of our markets, the first half of 2016 has witnessed some sharp sell-offs like seen in January, February and mid-month June, that were all followed by equally dramatic bargain hunting inspired buying. This buying and selling has left stock markets generally mixed for the year to date. The more important story is taking place in the fixed income arena as the US ten-year bond is now trading at less than 1.5% and rates have gone decidedly negative in many parts of the world. This has caused a conundrum for investors, stocks are fully valued but yet they offer a much higher yield than bonds. The perceived risk in the fixed income market then has created more risk in stocks as they are bid up and investors are starved for return. Where do we turn?

Simply, we believe that great investments are made based on the potential for strong businesses to have predictable earnings into the future. These earnings will in turn generate profits that are either compounded by reinvesting into this business or paid out in the form of dividends or interest. The headlines grab your attention, particularly when the news is negative. Now, in the hyper connected world we live in, more than ever, we have to syphon the information and be ready to take advantage of situations when we can. The best performing sectors this year have been oil and materials while tech stocks have lagged, which are both opposites of what we saw in 2015. We recommend a combination of all the tools that Wall Street offers... stocks, fixed income, mutual funds, etc. paired with the discipline to strike when the opportunity arises. We look forward to working with you to help navigate your investment and life goals.

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

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