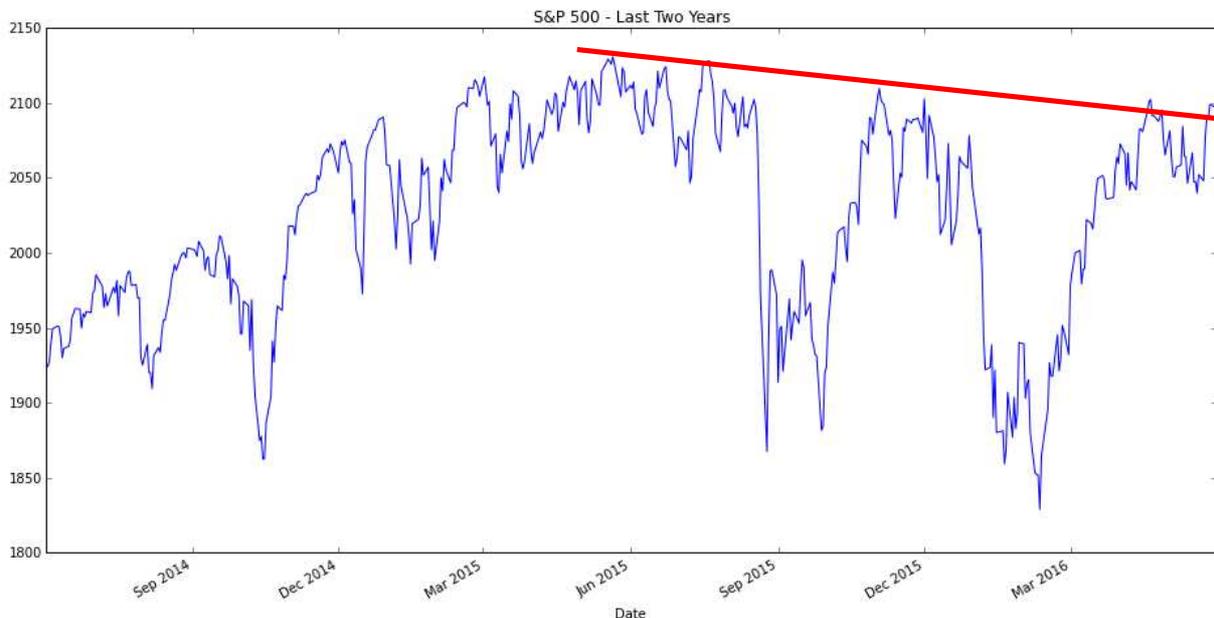


Welcome to the Summer Doldrums But Beware of FOMO (Fear Of Missing Out)—June 8, 2016

It's that time of year again, when minds shift from school to summer vacations, from routines to relaxation, and from work to whatever else. As a result, many of you don't have your minds on the market, but don't worry; at FSA our minds are still completely focused on managing your accounts.

Let's remind everyone where the market is after rising about 1.5% in the month of May. As you can see below, for two years now, the market has remained in a trading range from about 1850 to around 2130. More importantly, the market hasn't made a new high in over a year now, since May 21st, 2015, and each rally following a sell-off since then has reached a lower high, as depicted by the downward trending line in the chart below.



Where do we go from here? Does this stock market begin a new leg and break to new highs or does it roll back down to lows we saw in February? Supporting the bullish case includes the following:

- Broadening participation of stocks (not just a few leaders)
- Oil prices remaining firm around \$50 (which suggests the global economy is holding up)
- Unemployment rate below 5% (historical sign of strong economy)

For the bearish case, we offer the following:

- We are in the seasonally weak period for stocks (May – October)
- Weak economic growth in the U.S. (less than 1% for Q1)
- End of Quantitative Easing (QE)
- Prospects for rising interest rates
- Unusual election cycle (with increased uncertainty for investors)

How these items get resolved will determine the next move in stock (and bond) prices through the summer and into the fall. Since we focus primarily on the technical aspects of the market, we will take our clues from the prices of the funds themselves to either push us more heavily into stocks or cause us to retreat back to bonds or cash. Perhaps the hardest thing to deal with during the summer doldrums, especially after being in a flat market for so long now, is to not give into FOMO, or the fear of missing out.

It's unusual for stocks to remain choppy for this length of time and it is easy to feel frustrated at seeing little growth in the portfolios for over a year (and not be in a bear market). Nevertheless, this is the time to exercise patience and let these uncertainties clear up before committing our hard earned money into stocks (beyond our current allocations). Our goal is to be on the right side of the big market moves and we are merely waiting for that trend to reveal itself.

As always, FSA remains diligent in managing your accounts to make the journey through market choppiness a smoother ride, and our current position has us well placed to increase exposure should the market break to new highs from here, while remaining defensive against any downside this market could bring.

Please remember to let us know about any changes taking place in your lives that could have an impact on your investment objectives. We remain your dedicated financial partner.

Enjoy the warm summer days ahead!

Justin R. Wood, CFA
Investment Analyst

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