By now you have probably heard all the descriptions of the market action that has started 2016. The most common refrain seems to be that it is the worst start to a year in market history. It certainly seems as though there is an increasing number of large percentage moves on a daily basis in the major indexes than we are used to. Perhaps more unsettling than the scope of the daily moves might be the back and forth between up and down days. These swings from day to day seem to us to indicate a lack of confidence or conviction on the part of investors in what they own.

Wall Street seems to have a need to appoint a cause for every event, and there is no shortage of good or bad issues to blame. Chinese economic data, oil inventories, middle-east turmoil, North Korea, election season, cats and dogs, and so forth. The problem is that issues such as these (and worse) have been around forever and do not always result in the volatility we are experiencing currently. Rather, we would argue that investors seem increasingly more interested in simply buying or selling what others are. There seems to be comfort in being part of the crowd.

Because of this, it is our view that more so than any other time in history, investors (both professional and individual investors) seem to lack a clear understanding of what they own, why they own it, and what they think it is worth. Without that knowledge there is no conviction to stay with an investment if/when anything remotely negative should occur. Don’t take the time to evaluate the issues relative to the company, simply sell it...especially if it seems that everyone else appears to be selling. After all, if everyone else is selling something it must be the correct thing to do...right? Trend following seems to trump fundamental analysis as to the worthiness of an investment.

This lack of understanding and conviction can create an environment in which volatility is high and returns are illusionary. This phenomenon is not limited to stocks. Remember the Beany Baby craze? Tiny little toys, some of which “investors” gladly paid thousands for in the hopes of re-selling for even more. In other words Beany Babies were a trending, momentum trade. Some people made money, but a lot more did not and are stuck with expensive little stuffed animals they cannot sell after the trend reversed.

Adding to this environment is an acceptance of much shorter holding periods for stocks. According to LPL Financial the average holding period for stocks has gone from over 8 years in the 1960’s, to 3 years in the 1980’s, to about 3 months currently. This seems more like speculating than investing as assets move from stock to stock hoping to catch one that is trending up as opposed to actually trying to make an investment and grow with it over time.

For what it is worth, this is our cynical view of possible, if not probable, causes and effects of market volatility. While difficult to do, we believe the old fashioned approach of understanding what you own, why you own it, and what you think it is worth can result in better long term results. Investing as opposed to speculating will always be our desired course of action. Thanks for your trust and for your business, as always please call anytime.
Financial Planning Webinars

Our first financial planning webinar was a great success. We want to thank everyone who followed the link to Microsoft LiveMeeting and dialed in to the conference call for “A Closer Look at your Social Security Benefits”. Our next two presentations will focus on health care costs in retirement. If you plan on attending please let us know.

Below are the presentations and the corresponding times and dates:

**Planning for Health Care in Retirement: A guide to covering your medical expenses**  
Thursday, April 28\(^{th}\) 5:30 – 6:30pm CST

**Prepare for a Healthier Future: The value of long-term care expense planning**  
Wednesday, June 15\(^{th}\) 5:30 – 6:30pm CST

We will be sending out individual invitations to each of the webinars that will include the link to the meeting and dial in information. Please make sure to test the LiveMeeting link on your personal computer or tablet before trying to log into the webinar. We have instructions on how to ensure the program works but do not have the ability to troubleshoot after that.

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