Market Update – Part 2: 8/21/2015
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The US stock market and the world's oil market ended the day as they ended the week – at their low point. And that low point turns out to be the low point for both markets this year.

The S&P 500 has dropped by 4.27% YTD[1] and broke out of the tight trading range that we mentioned in the market update from earlier today, see below:

"…..the S&P 500 has traded within a range of +/- 3.5% to this point of the calendar year: the first time such a tight range has been displayed in the HISTORY of the market…."

Oil finished the day @ $40.45/barrel, nearly 60% below its peak in June of 2014[1].

While moves of this magnitude certainly grab our attention, some perspective is helpful as we head into the weekend.

The Benefit of Balance Perspective:

The Barclay's Aggregate Bond Index appreciated by 0.63%[1] this week. While not equal or offsetting to the move in stocks or commodities, it speaks to the incorporation of asset class diversification in a well balanced portfolio.

The Pocketbook/Wallet Perspective:

The decline in the price of oil has flowed through to the filling station – dropping the national average cost of a gallon of gasoline down to $2.63. This compares to last Friday's average cost of $2.65/gallon; last month's average cost of $2.75/gallon and the 1 year ago cost of $3.43/gallon[2].

We mentioned such a savings in our earlier market update as well, under the prospective economic positives from this development, see below:

"….consumers receive an energy "tax-cut" which could catalyze spending…."

The Look How Far We've Come Perspective:

The 530 point descent in the Dow Jones Industrial Average[1] today was the 9th largest single day point slide in the index's history. However, it does not even make the list of the 20 largest percentage declines. The 20th worst day, percentage-wise, was just shy of 7%[3]. Clearly, so much more gain than loss has transpired throughout market history.

The "Abnormal" is Actually "Normal" Perspective:

While the fact that the S&P 500 is down just shy of 5% year-to-date feels very unsettling, intra-year descents of 5% or worse are not unusual at all. In fact, it has been 20 years since we experienced a year ***without*** at least a 5% descent.[4]

To take this one step further, I have attached a slide from JP Morgan that provides the intra-year % declines (negative red number on the bottom half of the chart) and the end-of-year % changes (*mostly* positive gray numbers on the top half of the chart) going back to 1980. As you will see, despite average intra-year pull-backs of just over 14%, annual returns have been positive in 27 of 35 years.

The Obscure But Important Perspective on Size Mattering:

The entire country of Kazakhstan (whose currency intervention supposedly catalyzed concerns of global growth abatement), has a Gross Domestic Product of only $232 billion. By contrast, the market value reduction of Apple, Inc . (a single, albeit very large component of the S&P 500) has exceeded $160 billion since its price peaked earlier this year.

None of these "Perspectives" are designed to be dismissive by any means. They serve more as a reminder that volatility tends to accompany us on the path toward our return objectives.

Accepting volatility as an opportunity – to deploy capital, to upgrade/overhaul portfolios and to reacquaint with our true thresholds for risk – can be net positives. We're determined to do all we can to make it so as it relates to our clients' portfolios and we look forward to connecting often on this topic as we move forward.

Have a very nice weekend, dc

[1]Source: Bloomberg Market Data
[2]http://www.fuelgaugereport.com/
[3]http://online.wsj.com/mdc/public/page/2_3024-djia_alltime.html
[4]Source: JP Morgan Asset Management
[5] http://www.telegraph.co.uk/finance/currency/11813627/Kazakhstan-currency-plunges-by-record-23pc-as-government-relinquishes-control-of-exchange-rate.html