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MARKETS TESTING INVESTORS PATIENCE

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Investors are not happy. But according to the volatility index, they are not panicked either. This could be the most orderly correction we have ever seen. The markets seem to drift based on whatever news blows in. One day it is China, the next oil. Sometimes it is Europe or the dollar. Last week it was earnings. Regardless of how we got here, the end result is the same….losses in every equity category.

This feels like 2011 all over again. However, most investors when polled, did not recall the economic turmoil in that year, or the 18 percent correction in the equities' market which all started with Greece. Maybe investors thought a country the size of Georgia could not impact us significantly, but the contagion that spread around the world affected every country. Luckily it was not very long-lived.

Since that downturn, we have not experienced any significant pullbacks until last August when we had a very brief 12 percent decline that was over in a few weeks. Now we are seeing much more volatility based on concerns from analysts around the world.

Some think this is the payback for over five years of easy money. We shook our heads in 2011 when Greece could not cut expenses, reduce pensions or pay their debts. Now we are not thrilled with the idea of doing the same in this country. Our largest pension, Social Security is not giving a cost of living increase this year. This coupled with declining investment income will put many retirees on a reduced budget.

The Quantitative Easing (QE) provided by the Federal Reserve Board allowed us to get out of recession in 2009 and fueled the stock market to over a 200 percent return during the following five years. Now that QE has been removed, stocks are being repriced based on current economic conditions.

The next most common concern among the Wall Street gurus is that the economy's growth rate is a paltry two percent. Business and consumer spending should take up the slack when QE ends, but with years of no wage increases, consumer spending is down. Business spending is also lower as the last three quarters of earnings showed declines.

Commodities, in particular oil prices, have been blamed for most of the negative days on the stock market. However, this could be a result of the rising dollar, declining demand in China, and higher inventories.

China's slowdown has had significant impact on Europe and emerging markets. It was just a matter of time that the credit crisis in the U.S. in 2008 and in Europe in 2011 made its

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way to the far corners of the globe. The increase in interest rates here at home was like rubbing salt in the wound. This caused the Chinese government to devalue the Yuan to offset our rising dollar.

There are plenty of reasons for market declines. However, there are plenty of positive factors that will pull investors back in when the price is right. This includes a falling unemployment rate, nationally to 4.9 percent and in Colorado to 4.2 percent. This is considered full employment. Dr. Jeremy Siegel stated in his recent commentary, that it is difficult to have a recession when everyone is working.

More good news is that there may be little reason for another interest rate hike in the next few months. This should allow for more borrowing, including Wall Street mergers and acquisitions while rates remain low and stable. This should also help fuel growth at the right price.

Dr. Jerry Webman, Chief Economist for Oppenheimer will provide detailed commentary on market conditions and the election impact at our March workshop.

Patricia Kummer has been an independent Certified Financial Planner for 29 years and is President of Kummer Financial Strategies, Inc., a Registered Investment Advisor in Highlands Ranch. Kummer Financial is a 6 year 5280 Top Advisor. Please visit www.kummerfinancial.com for more information or call the economic hotline at 303-683-5800.Any material discussed is meant for informational purposes only and not a substitute for individual advice.

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