

# The Three Things We Are Focused On

By John DiCiaccio

September 13, 2015

*This is the text we recently sent to our clients in addition to the calls and meetings we had covering the latest events. Call us with questions.*

## 1. Is Market Turbulence the New Norm?

Our current recovery, such as it is, has been hampered by persistent nervousness. As a result, the market has been unable to take a direction and over recent weeks has experienced the wildest ups and downs in recent years.

**The DiCiaccio Team** is carefully monitoring the markets and looking for good investment opportunities. The recent sale of some of your securities, triggered by the circuit breakers we have in place to protect you on the downside, resulted in cash in your portfolio. Our first priority now is *to protect your capital by reducing risk*, not to make the most money.

To ensure the best results we are looking for good entry points with the right securities. We will slowly commit money using a dollar-cost-averaging strategy, which means investing fixed percentages at optimal intervals. When markets are up and cost-per-share is higher, your investment dollars result in fewer shares. When markets are down and cost-per-share is lower, we can purchase more shares per dollar invested. With more lower-priced shares in your portfolio, small increases in value can mean greater gains.

The old saying, "If you don't like the weather, just wait a day," can now apply to the stock market. Extreme volatility like we saw Monday, August 24th moved the DOW a total of 4,500 points during one trading session. In the days that followed it rose one day only to lose those gains and more the next day. Continually watching portfolio balances in times like this can cause stress.

Here are some ways I've found to help manage stress that you may find helpful:

- **Tame technology.** Limit how often you check your portfolio or watch the news and engage in activities proven to combat stress: socialize with others, do yoga, exercise and pursue hobbies.
- **Eustress is defined as "good stress."** The body cannot distinguish good stress from bad, so take a moment to relax even when things are going your way.
- **How you choose to interpret life is your choice.** Viktor Frankl said it best "Between stimulus and response there is space. In that space is our power to choose our own response. In our response lies our growth and freedom." Practice by thinking of five positive things that will result from the recent market turmoil.
- **The market is volatile but it doesn't mean you have to be.** Research shows that those who were instructed to smile were happier than those who did not. Act happy and it will probably help you feel happy. Remember, you are paying us to worry for you.

## 2. Politics' Near-term Impact on the Stock Market

We are longtime subscribers to our friend **Andy Friedman**, a noted and well-respected analyst on all

things political in Washington, D.C. He has spoken at our seminars. We want to share his latest analysis with you because it could impact our ongoing investment strategies.

### **Another government shutdown?**

Congress returns from recess next week with a month-end deadline to fund government operations for the next fiscal year. I'm concerned this could be a reprise of 2013, when the federal government shut down on October 1 over a Republican proposal to defund the Affordable Care Act. Now, Republicans are talking about defunding Planned Parenthood, a proposal the President will surely veto, which is part of their broader fight over funding social programs.

It's different this time. In 2013, when the government ran out of money in mid-October, the Congress had to address it and reopened the government on October 16. This year, with a mandatory debt limit increase that allows the federal government to borrow additional funds and nothing to force Congress to compromise and reopen, the government shutdown could last into November or December.

Historically, markets turn volatile as these Congressional stalemates butt up against fiscal deadlines. To protect against the volatility that uncertainty over the deadlock produces investors might consider these actions to protect themselves. More aggressive investors might view a pullback as a buying opportunity. Markets *do* tend to recover nicely after Congress finally agrees to raise the nation's borrowing limit, as it invariably will do here, through probably not until the last possible moment.

### **3. Habitat for Humanity:**

The DiCiaccio Team has volunteered for a hands-on project to build affordable housing on Thursday, September 24, with **Habitat for Humanity**. **Habitat** is devoted to building "simple, decent, and affordable" housing. We have reserved additional slots for the first six clients who want to work beside us in our effort to give back to our community. Call 626-521-9802 or email Mary Thomas [mthomas@snowdenlane.com](mailto:mthomas@snowdenlane.com) to see if slots are still available. It will be a four- hour shift. Whatever your skillset, there will be plenty that you can contribute.