

Droms Strauss Wealth Management

Special Market Communiqué

November 9, 2016

Trump wins Presidency....market reaction

It's probably a safe bet that for most Americans (and perhaps the world), regardless of who was *your* candidate, last night was quite a surprise and so it was for the markets. Just before midnight the S&P futures and NASDAQ futures plunged more than 5% but by the market open this morning, the market opened slightly up. We have written about this before – the market doesn't like surprises so the volatility that we will be seeing over these next few days or perhaps even months should not be a surprise to any of us.

The markets had priced in a different outcome, as indicated by extreme swings in the futures market last night, and it will take some time for them to adjust to the unexpected. We believe that the markets in time will be driven once again by fundamentals as well as the economy. Last night's result has not dramatically changed either of those areas. As we are writing this, the markets are surprisingly flat and may be having a similar reaction which furthers the point of the futility with trying to time the market.

During this period of uncertainty we need to stay focused on your long term goals and remember that bold shifts are rarely wise in periods of volatility. That's not to say that we are doing nothing, we will be looking for tax loss harvesting opportunities to reduce gains taken earlier this year and better manage your tax liability. For you, based upon our discussions, your portfolio has been structured based upon your risk capacity and your individual situation. What we must stay focused upon are your long-term goals and whether last night's election outcome really changes their achievability.

Historically, where there has been a change in the governing party there has typically been a period of higher volatility – generally as much as 30-40%. But this period of increased volatility doesn't last forever and eventually the markets process and price in the expected changes in policy. Long term we can expect tax reform and increased investment in infrastructure which, it is worth noting, was something that both candidates have stated as one of their goals.

We believe that your portfolio is well positioned to withstand the now expected short-term volatility. We certainly understand that many of you are going to be a bit nervous not knowing exactly what to expect and, as always, we are here to help you think through what to or not to do. Please call any of us if you would like to discuss your account.

Sincerely,

Droms Strauss Wealth Management

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