



OCTOBER 2016

## POSITION PLAYERS

Written by David Ferrucci

Major League Baseball's playoffs are underway, with teams from the American and National leagues now vying for a World Series title. Meanwhile, in each of the host cities and countless others across the world, the musical seasons of symphony orchestras are just beginning. Though fans of sport catch games mostly to watch athletes compete and patrons of the arts attend concerts mostly to hear musicians perform, aficionados also keep an admiring and critical eye on managers and conductors. Sometimes referred to as *masterminds* or *geniuses*, we often remember the exuberant managers and impassioned conductors as much as we do the greatest of athletes and musicians. Among the greats are Tommy Lasorda and Leonard Bernstein; for many, household names.

Though Lasorda and Bernstein worked in vastly different arenas, their assignments were very much the same. As manager of the Los Angeles Dodgers, Tommy Lasorda was charged with identifying and maneuvering the best mix of available players for every inning of every game he oversaw. Likewise, Leonard Bernstein selected and directed the best mix of available musicians for every performance of the New York Philharmonic that he conducted.

A masterful musician in his own right, Bernstein was superb at uniting specialists: violinists, cellists, flutists, percussionists, trumpeters, and others. Would Bernstein be remembered as fondly were he to select one hundred cymbalists to play Beethoven's Symphony No. 5? Only, perhaps, had he tried such a feat on April Fools' Day! Lasorda, like any manager or conductor, also fielded specialists: the pitcher who hurled the ball ninety-five miles per hour over the corner of the plate; the steady hitter who made it to first base with regularity; the catcher who led the team defensively; and, of course, a few players who could hit the ball out of the park! However, as exciting as home runs are, any manager who fields an entire team with sluggers swinging for the fences would not fare well

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through even a single game. Success in baseball, as with music, stems from fielding *position players*, each performing and fulfilling their respective roles on the team.

The Ferrucci Company's arena is considerably quieter than Dodger Stadium and Lincoln Center. Yet, our assignment as portfolio managers is very much the same as Lasorda's and Bernstein's. Diversifying your portfolio among various asset classes – asset allocation – is similar to the process of putting players on the baseball field through the playoffs and filling seats on stage at the philharmonic. Perhaps the growth stock position in a portfolio is analogous to the home run hitter on a baseball team; the short-term bond position may parallel the soft sound of the oboe. Each position on a baseball team, an orchestra, and a portfolio has a purpose; and, when working together, they win the World Series, they sound magnificent, they (insert your goal here) \_\_\_\_\_!

## MARKETLIGHT

Written by Paul Ferrucci

### End of the 3<sup>rd</sup> Quarter

U.S. equity markets bounced back to close September with mixed results. The Dow Jones Industrial Average lost 0.41 percent for the month, but the S&P 500 Index and Nasdaq posted gains, up 0.02 percent and 1.96 percent, respectively. For the quarter, the Dow was up 2.78 percent, the S&P 500 gained 3.85 percent, and the Nasdaq, again delivering the best performance, was up 10.02 percent. Overall, these results represent the best quarter of the year for the U.S. stock market.

Technical trends remained positive throughout the quarter. All three major U.S. indices finished the period above their 200-day moving averages.

Developed international markets performed well during the month and quarter. The MSCI EAFE Index ended September up 1.23 percent, capping off a quarterly 6.43-percent gain. Technical trends also stayed positive, with the index above its 200-day moving average throughout September.

Emerging markets also performed well, as the MSCI Emerging Markets Index was up

1.32 percent for the month and 9.15 percent for the quarter.

Technical signals were positive for the entire quarter, with the index remaining comfortably above its 200-day moving average.

Fixed income posted mixed results for the month and quarter. The Barclays Capital Aggregate Bond Index was down 0.06 percent in September and gained 0.46 percent for the quarter. U.S. corporate high-yield bonds, as reflected in the Barclays Capital U.S. Corporate High Yield Index, performed well, up 0.67 percent in September and 5.55 percent for the quarter.

### U.S. Economic Data

Though the ISM Manufacturing and Non-Manufacturing indices softened in September, not all business news was off. The National Association of Home Builders survey beat expectations for September and reached its highest point since October 2015. The improvement indicates that home builders are increasingly optimistic about the future of the housing market. Home builder optimism was driven by strong consumer demand and sentiment. This improvement in confidence could bode well for increased household spending

heading into the fourth quarter and 2017.

Much of the gain in consumer confidence was engendered by continued job growth, as a healthy 151,000 jobs were added during August. Personal income also grew in August; one of the most impressive headlines released was a 5.2-percent annual increase in real median household income.

Also, as expected, the Federal Open Market Committee kept interest rates unchanged at its September meeting. Moreover, the Committee's discussion of the economy was largely positive.

### Long-Term

Although there are catalysts for market volatility in the near term, the U.S. economy is growing and remains among the strongest in the world. The healthy increases in job and wage growth have helped provide a solid foundation for the recovery and signal that growth, though perhaps at low levels, is likely to continue. Nevertheless, as always, a diversified portfolio and long-term view still offer the best route to reach financial goals.

The Ferrucci Company is a wealth management boutique where families turn for financial guidance and leadership, freeing them to pursue their most important goals and values.

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**David Ferrucci:** Over twenty-five years ago, David began helping individuals, couples, and families make balanced – and smart! – financial decisions. Earning Bachelor's and Master's degrees from Trinity College, he focused his studies within the field of behavioral finance; an academic discipline that factors human elements into traditional economic assumptions. David also earned a Master's degree from Columbia University, where he examined the complex relationship between personal finance and family dynamics. Currently, he is pursuing a Master of Philosophy degree through Wesleyan University, deepening his understanding of personal, family, community, and global matters as they relate to finances. Today, David's expertise lies in the macro-economic realm of coordinating, synchronizing, and advancing individual and family goals.

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