



SEPTEMBER 2016

## THE RESTART BUTTON

Written by David Ferrucci

Many years ago, when I was lamenting the end of a great summer, an older and wiser friend replied, "September has a funny way of always rolling around." For most students, this month signals the end of summer vacation and marks the beginning of a new academic calendar. In that way, September offers – actually, forces – a *restart*. This transition is the equivalent of an ellipsis, the " ... " sometimes found at the end of a statement. Its purpose is to allow readers the opportunity to finish a sentence on their own. For example: *Another school year has begun...*

At the moment, college is an ever present topic among the Ferrucci family. One of Paul's sons just began his freshman year, and my older daughter is entering her senior year in high school. For them, and all students, now is a period mixed with old and new friends; new courses and teachers; new roommates and dorm mates; new teams and social clubs. In the recently published book, Practice for Life, a New England college professor suggests, "Students don't just start college and finish it. They start and restart many times." With every restart, there is a "... " leading to a new chapter. Such restarts present a bundle of emotions, including excitement and apprehension. In that way, school is indeed "practice for life".

Those of us in the "real world" experience continual restarts as well; an ongoing series of one season or event or day... into the next. With each and every restart adults go through, perhaps the primary aim – and concern – is financial security. Borrowing from the dictionary, financial security can be defined as, "the state of being free from financial danger or threat." How does one best attain a state of being free from financial danger or threat? Perhaps we can put ourselves in the

*"School is practice for life."*

position of a first-year college student's academic advisor. At a base level, we would advise our freshman, "Go to class, do your homework, and repeat." A micro-series of restarts.

Back in the real world we can follow that same advice, which is centered on preparedness. While the bulk of our effort should be taking steps toward achieving personal goals – and having fun while we're at it! – our never-quite-complete homework assignment is to prepare for the restarts in life, both expected and unexpected. In doing so, we will gain a comforting sense of security and peace every time we push the restart button.



## MARKETLIGHT

Written by Paul Ferrucci

### Restart Redux

The theme above - "restart" - is apropos in the context of our financial markets. While stock and bond exchanges remain open and active through the summer months, August is, historically, a time when many institutional portfolio managers and traders take advantage of their allotted vacation time. Therefore, during that stretch, many financial offices operate with a reduced staff, at both the executive and administrative levels. As many institutional firms return to full staff, I can borrow from David's article and suggest: *Another financial season has begun...*

Once Labor Day has passed, a substantial number of corporate financial officers busily prepare and release their company's earnings reports. This period is typically referred to as *earnings season*, and the stock markets respond accordingly. For example, if a company's earnings are better than previously forecasted, its stock price is likely to rise. If not, their price-per-share could fall. A *strong* earnings season is when a

large number of companies either hit their forecast marks or better those estimates. When that happens, investors with well-balanced strategies may enjoy a period of growth in their own portfolios.

Following Labor Day, the Federal Open Market Committee (FOMC) also pushes the restart button. With Janet Yellen serving as its Chairperson, the FOMC will meet again in mid-September to discuss whether or not to raise the federal funds rate – commonly referred to as the interest rate. As I mentioned in January's *MARKETLIGHT*, the Fed's rate increase is one signal that our economy is progressing healthily.

### Looking Back...

Though not always the case, the market returns for August may be a reflection of portfolio managers' and traders' vacation time. The S&P 500, MSCI EAFE, and Barclay's Capital US Aggregate Bond Indexes posted 0.14%, 0.07% and -0.11%, respectively. Quiet, indeed!

Panning back to a more protractive view, year-to-date returns for the major U.S. equity

and fixed income benchmarks are strong: the S&P 500 is up 7.82%, while Barclay's Aggregate Bond is up 5.86%. Though foreign equities have been hampered by uncertainty surrounding the EU, the international index (EAFE) remains in positive territory for the year.

### Looking Ahead...

Just as the three most important words in real estate are location/location/location, the media's theme through the next several weeks will be election/election/election. Some people ask, "What will happen in the markets?" My response always leads to the closing notion of David's article above: preparedness! Since I cannot predict what will happen at any point in the future – post-election or otherwise – I must prepare for a number of possible outcomes. Through the process of managing portfolios, we thoroughly prepare for "..."

That way, you gain a comforting sense of security and peace!

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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