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Market Correction
August 2015

After four years of steady stock market appreciation in the U.S., investors were confronted with a rapid 1,700 point fall in the Dow Jones, along with a 10% correction in the S&P 500.

In reacting to these market corrections, it is best to re-assess the long-term fundamentals of the global financial markets. As we have written in our previous letters, the general health of the world economy is good. During the recovery, companies around the world have grown their profitability and accumulated record levels of cash on their balance sheets. The pillars of the U.S. economy appear intact, as measured by impressive monthly job growth, a robust housing market, and strong consumer spending. Globally, low interest rates, falling gas prices, and accommodative central banks create a supportive environment for the major developed economies (U.S., Europe, and Japan) to expand further.

In placing blame for the recent market fall, media outlets have mainly focused on China, as well as the Federal Reserve's plans to raise interest rates. As for China, the slowing of their economy is a real concern. During the past decade, China has grown to become a key engine of the global economy, and is clearly struggling to maintain high single digit rates of growth. While China may have difficulty sustaining their targeted economic growth rate of 7%, they do have the capacity to enact meaningful stimulus measures if they so choose. A second cause of concern related to China is the volatility in their stock market. We see this point as being overblown by market observers, as China's weighting in the global equity market is around 2%, versus 50% for the United States.

In closing, we find corrections can be healthy for the markets, and even capitalized on by composed investors. Staying focused on one's longer term objectives and goals is critical, while avoiding the natural tendency of panic selling. As in the past, our ongoing investment research will continue to focus on investment fundamentals, with the end goal to identify quality investment opportunities with appropriate risk-reward profiles. Lastly, we will continue to be proactive in our communication if portfolio adjustments are deemed warranted.