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Wealth Management Update

COMPASS Economic and Market Update

Back on August 4th in the midst of daily 400-plus point swings for the Dow Jones Industrial Average, I sent an e-mail to clients with my latest thoughts on the economic and market environment. The thoughts expressed then are still current today. The world is fixated, as it should be, on developed nations' staggering debt loads and anemic economic growth. Resolving these issues is a long-term structural challenge.

The economic growth that the U.S. and Europe have enjoyed since the late 1990's was fueled by leverage—developed nations financed their spending with huge sums of borrowed money. In the U.S., this was accomplished through the issuance of U.S. Treasuries. The bill for living beyond our means is coming due. To pay down the debt means either less government spending and/or higher taxes—both are impediments to economic growth.

Consequently, economic growth among the developed nations is likely to be subpar for several years. Normally economic expansions following severe recessions are more robust—not this one. The damage done to the financial system, job and housing markets, and consumer and business confidence was significant.

The U.S. stock market reacted violently to these events, correcting by 20% from its recent high in April to its low at the beginning of October. Since then, the S&P 500 has jumped 11%, expressing optimism that Europe may be closer to a solution. The U.S. stock market is certainly cheap and U.S. Treasuries are expensive by historical standards. The S&P 500 has been offering a higher dividend yield than the 10-year Treasury yield. When this has occurred in the modern era, stocks significantly outperformed bonds during the following 1 – 3 years.

Advisor Corner



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I pride myself in offering you expert financial advice along with personalized service. Assisting you in reaching your financial goals is my business and I take that responsibility very seriously.

As an objective and independent fee-only wealth manager, my sole interest is to ensure my recommendations meet your financial goals.

COMPASS Wealth Management, LLC is a client-focused wealth management firm dedicated to providing superior advice to individuals, families, and corporate retirement plans.

Our wealth management services include investment management, retirement and gift planning, education funding, and other advisory services.

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