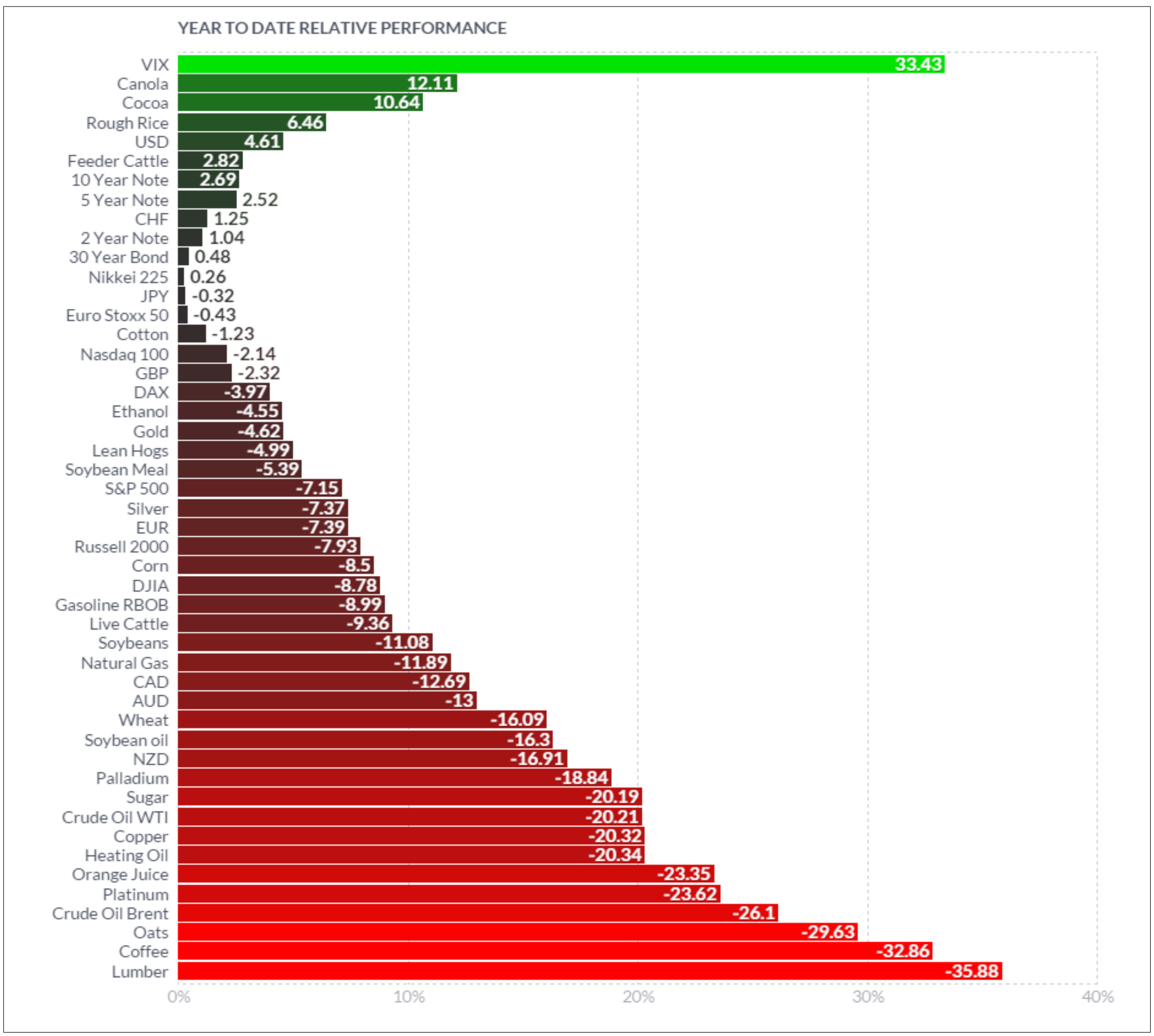
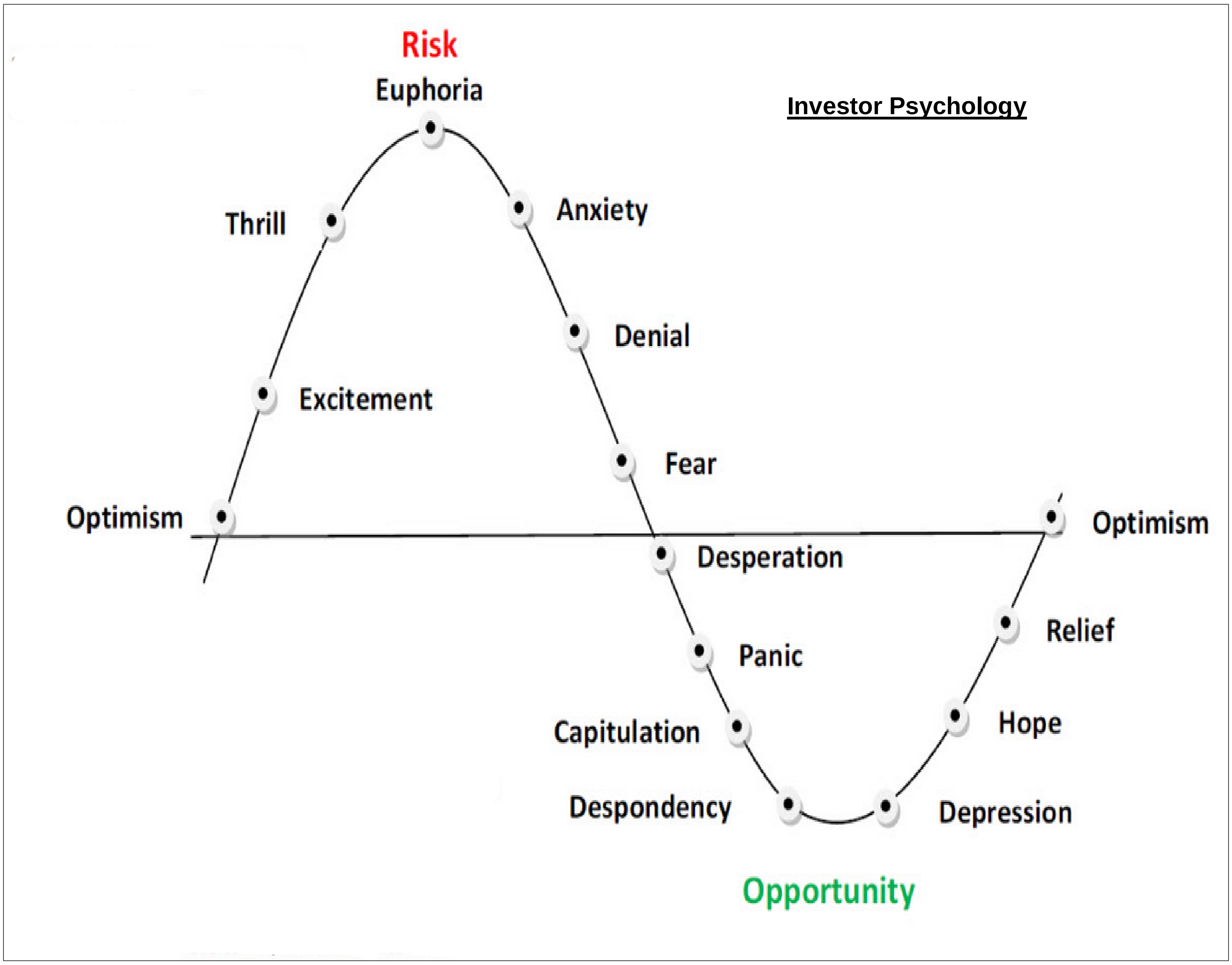
Globally, as well as here at home, financial markets have been roiled of late. As the bar graph below illustrates, the color green, which indicates positive performance, is noticeably absent. Volatility, denoted by the VIX Index, is unfortunately the leader. Fear and falling asset prices are byproducts of excess volatility. In my previous report, I commented on prevalent roadblocks confronting equity advances. The suspects cited*: a stronger dollar, rising interest rates, Eurozone uncertainty – Greece, escalating lawlessness, corporate profit deceleration, a tightening employment picture, rising housing costs, slower global growth, and the declining transportation average.*



From the tech bubble of 2000 through the financial crisis of 2008 until now, the S&P 500 has returned 3.75% a year. During the past 15 years, investors have endured tumultuous swings in equity valuations. Price-to-Earnings ratios for the S&P 500 have fluctuated as high as 29 and as low as 12. The P/E ratio is currently 16. The financial crisis of '08 – '09 stemmed chiefly from excess borrowing and bad players. During this period, housing and stock prices plummeted to near depression levels and our fears turned into panic. Our nation stood still when Federal Reserve Chairman Ben Bernanke stated*, "If we don't do this (enact a $700 billion rescue plan), we may not have an economy on Monday.* So, do I think this is the beginning of another mega-meltdown? No, I do not.



The S&P 500 is now down 10.1% from its peak on May 21, 2015, which places it into correction territory. Using the *Investor Psychology* chart above, I speculate that market behavior is somewhere between *risk* and *opportunity.* As stocks continue to decline, values within numerous companies are advancing.

Previously, I informed readers that the summer quarter has historically been the worst of the year. True to form, the S&P 500 along with every sector, excluding utilities, has sold off smartly. Energy and materials have been battered severely this past quarter. From their previous peaks, both the energy and material sectors have fallen into bear market territory, down over 20%. As the figures portray, the past 90 days have been trying on investors' nerves.

S&P 500 Sector 3rd Qtr Performance

	Result
S&P 500	-6.94%
Utilities	4.40%
Consumer Staples	-0.89%
Consumer Discretionary	-2.94%
Information Technology	-4.08%
Financials	-7.18%
Telecom Services	-7.42%
Industrials	-8.00%
Health Care	-11.05%
Materials	-17.34%
Energy	-18.10%

Since World War II, the market has been known to make an about face and post its best quarterly performance of the year in the fourth quarter. According to the Stock Trader's Almanac, the S&P 500 has gained on average 3.8% in the final three months. It is not uncharacteristic for markets to bounce back after entering corrective territory. In that vein, I look for stocks to rebound true to form the remainder of the year. As a professional money manager, I believe that prudent investors should maintain a diversified portfolio of stocks, bonds, cash and alternative assets to navigate the market's turbulence.

> *"The market is a pendulum that forever swings between unsustainable optimism (which makes stocks too expensive) and unjustified pessimism (which makes them too cheap). The intelligent investor is a realist who sells to optimists and buys from pessimists." Graham, Benjamin. "The Intelligent Investor."*

Respectfully,

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