



FAITH VERSUS FEAR EQUALS TURBULENCE

The stock market has been on a slippery roller coaster ride going nowhere. Due to the tenure of this “rocky mountain” high, we have become despondent and somewhat immune to the ever-changing volatility levels. **VZD Capital Management** didn’t buy into the idea that Britain's exit from the EU would cause a major economic meltdown. While this move was unexpected, and triggered an intense two-day selloff, the decline was fueled by the uncertainty and fear created by unforeseeable consequences. This level of volatility created an intriguing market environment fueled by speculation, media hype and market noise contrasting with economic fundamentals and evaluations.

This week, the S&P 500 is playing defense like the Kansas City Royals. The market gained a deeper understanding of the Brexit and concluded that the impact wasn’t as significant as anticipated. Most of the followed indices were flat or slightly positive by the end of June. The S&P 500 led the way for the quarter with a gain of 2.46 percent since the end of May.

However, on a separate note, as of June 29, 2016, there are \$11.7 trillion worth of bonds around the world trading with negative yields. This is a 12.5 percent increase since the end of May. Broad fixed income markets had a strong month and quarter, with global fears increasing flows into U.S. fixed income investments and driving interest rates even lower. While fixed income instruments should be part of your asset allocation, the yields are historically low due to the anticipated rising interest rate environment.

Remember, we have endured extreme geopolitical events like the dotcom bubble, the 9/11 terrorist attacks, and the global financial crisis but came out victorious. Good business doesn't disappear overnight, therefore, we will focus on what we do best – finding great companies, with solid fundamentals, positive balance sheets and fair evaluations. Uncertainty and volatility seasons offers buying opportunities, therefore, we welcomed them to enhance or rebalance our portfolios.

The S&P 500 hit an all-time high on Monday, led by the technology sector. More than 40 percent of the S&P 500 has seen moves of 20 percent or more. Consumer confidence and spending are on the upswing, plus, we survived the Brexit vote without significant impact. From a big-picture perspective, even though risks certainly remain high, the U.S. economy leads the developed world and the U.S. markets remains attractive to global investors. As always, we continue to recommend an active, well-diversified portfolio which is the best path for superseding your long-term goals despite short-term volatility.

VZD Capital would welcome the opportunity to serve other investors who might benefit from our customized approach to wealth management. Please feel free to refer your friends and family members to our multigenerational registered investment advisory firm. Thank you in advance for your patronage, loyalty and continued consideration of our firm.

With Gratitude,

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CEO | Portfolio Manager