

Business

8 | Thursday, February 4, 2016 | North Lake Tahoe Bonanza

On volatility, recession, and even some politics

A few hundred points up, a few hundred points down, sometimes more and sometimes on the same day. Such volatility has become routine.

The financial and general media insist on explaining the market's every move, though often there is no explanation. Traders, not investors, dominate any day's



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market action. They do what traders do — they trade. More and more we're hearing talk

from the media of a looming recession undermining the market. Does the selling mean a recession is near? Since World War II there have been 13 double-digit declines in the S&P (average 19.4 percent) that DID NOT precede a recession, including those in 2010, 2011 and 2015.

The stock market has a checkered record as a forecasting tool. So does the Federal Reserve, to put it kindly. Year after year since the financial crisis they have been far too optimistic. Forecasting is difficult, as Yogi Berra said, "especially about the future."

Most economists will soon put to rest the idea that GDP growth will accelerate to close to three percent this year, which is why many dismiss as unrealistic the Fed's plan to raise rates four times in 2016 (the market thinks there won't be a rate hike until 2017).

Consumer spending is two-thirds of economic activity with exports and business investment accounting for most of the rest. What can we expect from consumers?

In Walmart's boardroom, the answer is "not much," which is one reason why they are closing more than 100 stores nationwide.

As for exports, they depend on the economic health of the importing nations and also the exchange rate for the U.S. dollar with which they must pay. Not a good picture.

While I can't quantify it, I sense that the political choice we are likely to face next November is also weighing on some investors.

Who has any idea what Donald Trump would do as president? He doesn't know either. Ted Cruz is too extreme and Hillary Clinton is untrustworthy.

Bernie Sanders wants to spend trillions all paid for by the top one percent, the arithmetic notwithstanding. Out of more than 300 million people, this will be our choice? Discouraging.

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