Could it be time to batten down the hatches? Well, it might be if you can answer the following question: What do the years 2008, 2001, 1994, 1987 all have in common? Each of those years included a severe market correction and happened in 7 year increments. So where are we on this timeline now? Take the last correction year of 2008 add 7 years and, yes you guessed it, 2015! Will history continue to repeat itself? No one knows, but it’s certainly worth discussing.

Looking back on these past market corrections, in the case of 1994, it was the bond market that crashed with the thirty year treasury declining 34% in that year. I remember it clearly. The Federal Reserve, headed by Alan Greenspan increased interest rates six times that year, which resulted in a huge rout to the value of government bonds. If you look at where we are today, the environment looks similar to that time in history. We know the Federal Reserve has been offering “guidance” that they will raise interest rates; (the question is not really “if,” it is “when and by how much”.) Most people agree the interest rate environment cannot remain at these low levels indefinitely. However, we also know that whenever there is turmoil in the world, investors worldwide flee to what they perceive as the safety of the U.S. Treasury. In our minds, this behavior in the bond market has, to some extent, created a bubble. History has shown when a bond “bubble” bursts, there is also the potential to spill over into a decline in the stock market. How severe the decline might be in the bond and stock market is anyone’s guess.

Interestingly enough, it is the seven year nature of things that has us bothered the most. There are many theories as to why the markets tend to correct every seven years but at this point it feels like the market is “playing chicken,” waiting for some trigger for professional traders to head for the exits. Let’s face it: professional traders can make just as much money when the markets go down as when the markets are up. With all of the major stock indices at all-time highs, it might be a small decline in the market or some piece of news that the band of professional traders use to begin shorting the various markets with heavy selling, which can send the market down. Then too, there is a lot of talk and speculation about the traditional September/October timeframe market corrections, which by itself could become a self-fulfilling prophecy.

Regardless of all of the above, we want to be sure you are well protected. We are not worried about what our clients have with us, although there are certainly protective measures we would like to discuss. What we are most concerned about are the stock and bond positions held outside of our prevue that have no downside protection. To that end, we encourage you to schedule some time to meet with or speak to your relationship manager to go over all of your assets to make sure you batten down the hatches and protect yourselves to the greatest extent possible. For instance, for our clients with outside stock holdings, a simple “stop loss” on those stock positions could go a long way to protect a decline in those holdings. On outside 401(k)’s, a review of the options available within the plan would be warranted. In the end, we hope the seven year syndrome that has become somewhat of a norm does not play out again this year but we would be foolish to ignore history. It is difficult if not impossible to predict when a change in investment sentiment will occur. In this regard, we have no advantage; however, we will continue to combine sound intellect with emotional discipline as the keepers and protectors of your lifestyle.

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The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.