

CHART OF THE MONTH

JULY 2017

LONGEST STREAKS WITHOUT A 5% S&P 500 CORRECTION

Start Date	End Date	S&P 500 at Beginning	S&P 500 at End	S&P 500 Gain During Streak	Trading Days Without a 5% Correction
08/19/58	09/08/59	47.30	57.70	22.0%	266
01/04/61	01/09/62	58.36	69.15	18.5%	255
11/26/63	06/08/65	72.38	85.93	18.7%	386
10/12/92	03/28/94	407.44	460.00	12.9%	370
12/21/94	07/12/96	459.61	646.19	40.6%	394
06/28/16	07/11/17	2036.09	2425.53	19.1%	261

Source: LPL Research, FactSet 07/11/17

The Dow Jones Industrial Average and the S&P 500 established new all-time highs today in the midst of a grind-'em-out bull market that hasn't experienced even a 5% correction since the Brexit sell-off (-6%) in June 2016.

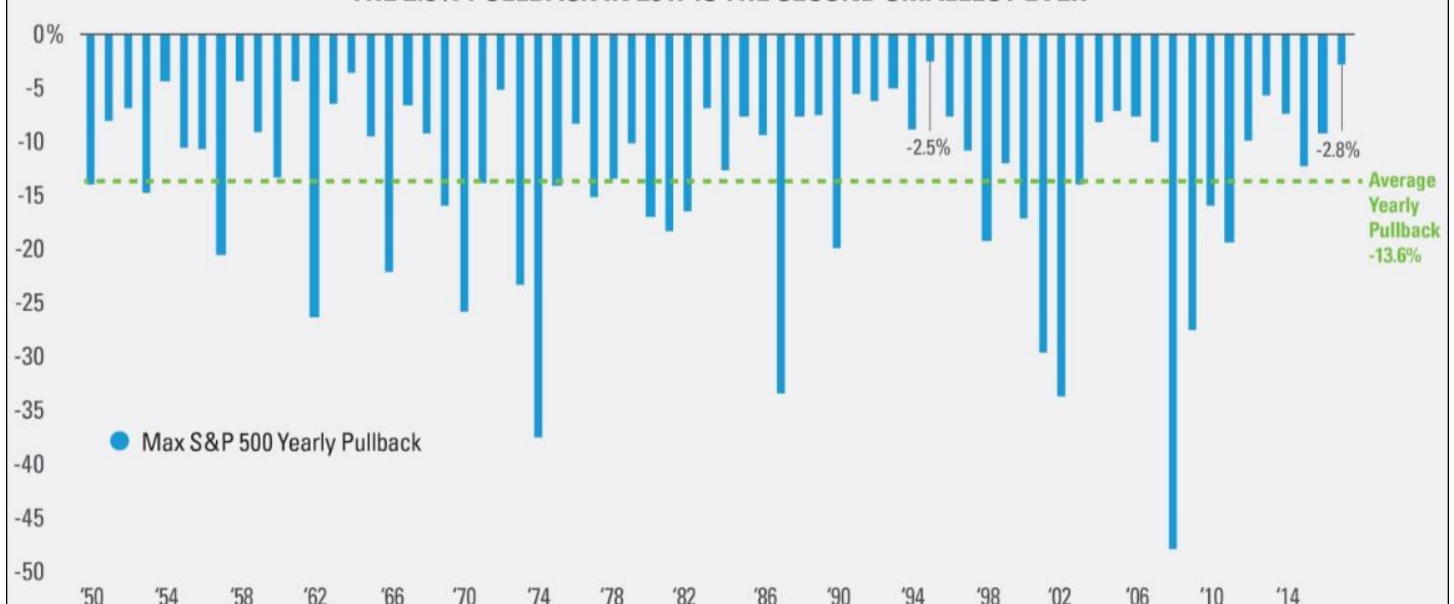
As shown in the table above, the current streak without a 5% pullback will tie for the fourth longest at 266 trading days on Monday. It is also the longest stretch since 1994-1996 when the S&P 500 rallied for 394 sessions without a 5% correction. Of note, the index increased more than 40% during that streak or about double the current advance, giving hope that the stock market may have additional room to run before consolidating its gains.

Looking at the graph below, the maximum drawdown in the index this year has been 2.8%, the second smallest intra-year pullback to the 2.5% decline in 1995. The average yearly correction has been 13.6% since 1950 with 62 of the 68 years enduring at least a 5% fall and more than half experiencing a 10% or greater drop.

While the market appears to be overdue for a correction, trying to time the next pullback is not only difficult but generally counter productive to the longer-term performance of one's portfolio. Instead, we believe diversification is the best hedge. Diversification in terms of asset classes: stocks, bonds, real estate, and cash. Diversification within stocks by market capitalization, economic sectors and industries, growth and dividends. Diversification within bonds by issuers, credit quality, and maturities. Diversification within real estate by residential and investment properties, including real estate investment trusts (REITs) for those investors seeking liquidity.

As always, please let us know if your goals and objectives (including risk tolerance, income needs, and time horizon) have changed, and we will adjust your portfolio(s) accordingly. In the meantime, we remain constructive on the outlook for the economy as well as the stock and bond markets. Prices will continue to ebb and flow but there is little reason at this time to bet against the upward trend that has been in place since the lows in 2009.

THE 2.8% PULLBACK IN 2017 IS THE SECOND SMALLEST EVER



Source: LPL Research, FactSet 07/11/17



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