

CHART OF THE MONTH

AUGUST/SEPTEMBER 2015

The stock market fell more than 2% for three consecutive days and another 1% today for a cumulative drop of 10% in less than a week and 12% since the peak in May. The market indexes are on pace to record their worst monthly loss since February 2009.

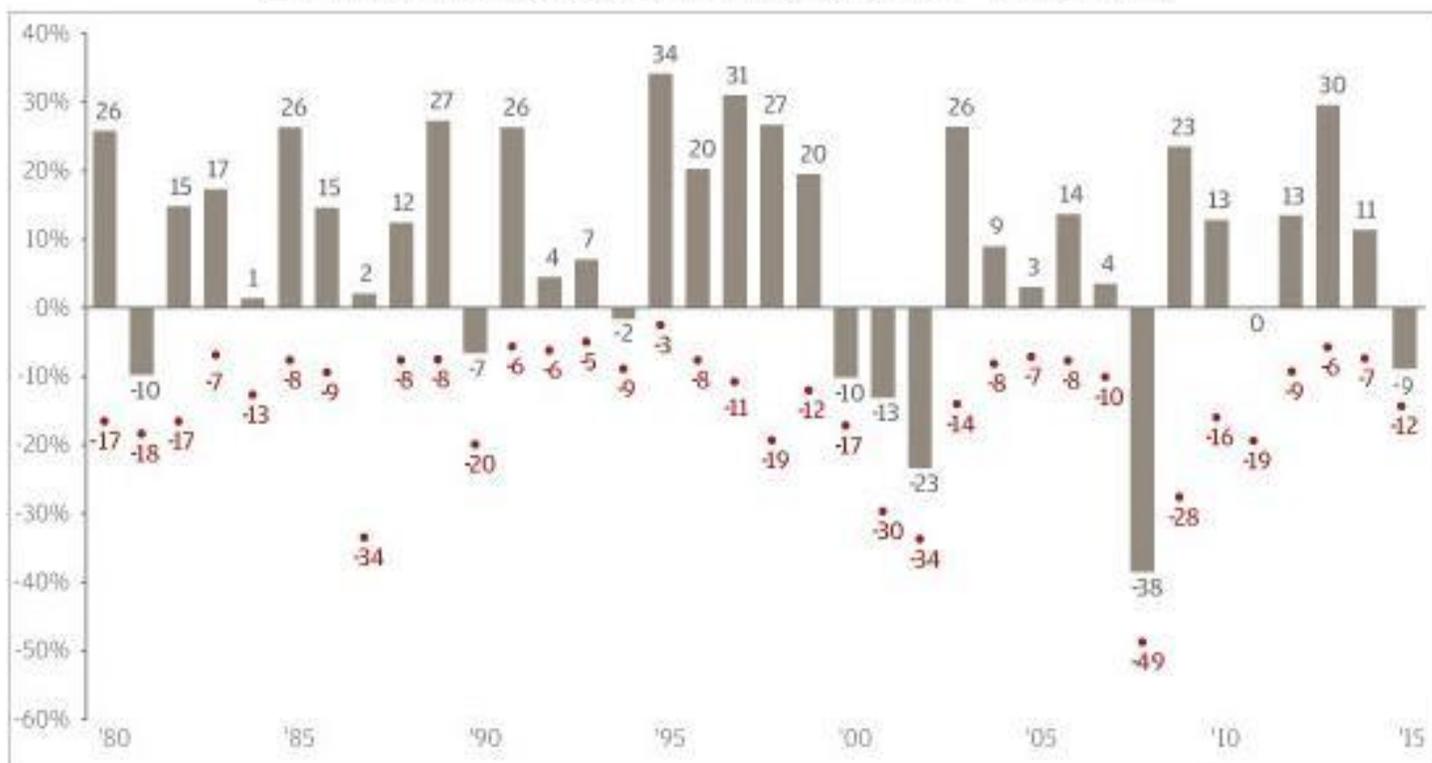
As shown in the chart below, the S&P 500 is now down approximately 9% (excluding dividends) for the year. Of note, the index has undergone its first 10% correction since 2011, once again reminding investors that stocks don't go up uninterrupted forever. Importantly, the market tends to experience an annual correction of this magnitude more often than not. In fact, the average intra-year decline has been 14% since 1980.

Without making any predictions about the direction of stock prices over the near term, we believe the market will remain volatile for the foreseeable future. Instead of getting caught up in the day-to-day swings, we advise clients to remain focused on their long-term objectives. If the market gyrations are causing sleepless nights, it means you have too much invested in stocks. Should this be the case, please let us know and we will adjust your asset allocation accordingly.

Absent any changes in investment goals, we plan to rebalance portfolios by deploying excess cash and proceeds from bond maturities and calls into high-quality stocks that are more attractive today than they were a week ago. This discipline takes the emotions out of the decision-making process and serves to follow the adage of selling high and buying low.

Shareholders with positions in companies like Apple and Disney should think and act as if they owned them in their entirety. Ask yourself, would you sell these great businesses because of what is happening in China or what the Fed may or may not do? If you wouldn't, there is no reason to sell these stocks based on such extraneous news and speculation. Our expectation is that these companies will continue to grow and your patience will be rewarded over time.

S&P 500 Annual Returns and Intra-Year Declines



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management

