THE PERSONAL WEALTH COACH®

An SEC Registered Investment Adviser

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Greetings from The Personal Wealth Coach®!

Economic Reality

There were more than a few naysayers on Monday who insisted that the sky was falling. Perhaps it was, but it didn't fall very far and it seems to have mostly rebounded back to where it was before the fall. As this week ended the S&P 500 Stock Index was just below 2,000, or about half way back to its all-time high. There were some very good reasons for the recovery, and there were some very silly reasons for the plunge.

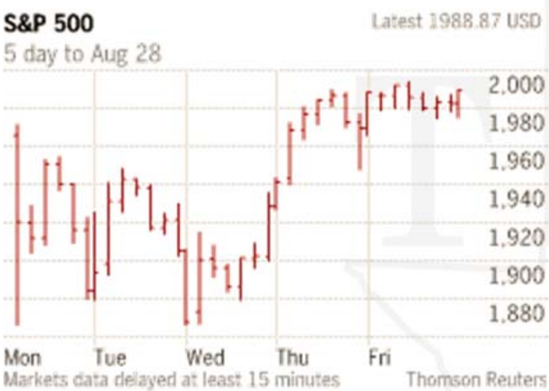

Chart source: Financial Times

The Commerce department reported that the in the second quarter (April through June) of this year the gross domestic product (GDP), i.e. the net earnings, of the United States of America, rose at an annual rate of 3.7%. That is much higher than the earlier estimates, and suggests a very healthy economy is running in the good old USA.

Of course, the second quarter ended almost two months ago, so that is a *lagging* indicator. The better news is that on August 20, the Conference Board issued the new data on the Index of Leading Economic Indicators. Rather than go into detail I will give you a quote from their press release. "…the U.S. [Leading Economic Indicators Index] is still pointing to moderate economic growth through the remainder of the year."

The not-so-good news from the Conference Board was released on August 24 when their estimate of China's Leading Economic Indicators was announced. China appears to be in for some difficulties in the next several months. That announcement was at least part of what triggered the market sell off both in China and here. Before you get too upset about that let me quote Howard Silverblatt, one of the leading economists at Standard & Poor's. "When the United States sneezes, the world catches a cold. When the United States catches a cold, the world catches pneumonia. When China catches pneumonia, the United States sneezes." What the esteemed Mr. Silverblatt was attempting to convey is that it is entirely possible for the United States economy to continue to grow and exhibit all signs of health as the Chinese economy decays.

A lot of investors don't get that. They have heard so much about how big the Chinese economy is and how it is going to overtake the U.S. economy and we will all need to learn to speak Chinese to please our new economic masters, that they have come to believe it. About 30 years ago it was the Japanese who were going to dominate the world. Since then, the Japanese economy has suffered through a depression, even as our economy has continued to grow and prosper. It is entirely possible that China will soon have the same learning experience.

Does that mean it is all smooth sailing for the U.S. markets and economy? In a word, "No." As I have written before, we are in a transition from recovery to expansion, and such expansions are typically bumpy and often scary. Still, the underlying American economy is what drives the markets, and our economy is percolating along very nicely. We still have a lot of room to grow and plenty of people to hire. My guess is that we will see a pretty impressive growth rate and overall vigor in our economy between now and the end of 2016, but do remember, faster growth means more bumpiness!

Emergency Procedures

In portfolios we manage, we make a practice of having a meaningful amount of "dry powder" on hand to enable those taking systematic withdrawals to use in the event of a market panic and the resulting bear market. Even though this last weak barely qualified as a "correction" and certainly did not qualify as a "crash," a "panic." or a "bear market," we took advantage of the scare to dust off our emergency procedures. We can do a lot to facilitate some good, and conservative practices in the event of a market panic, but one of the things we need from you is a heightened willingness to respond if we contact you. Some of the custodians we use will not allow us to shift your withdrawals to, for example, Short-Term Bonds, unless you provide the custodian with written instructions. We can and will make up those instructions and get them to you in a hurry, typically by using your encrypted, secure, cloud mailbox, or in some cases through the mail. Either way we will notify you that we have created the necessary letter for your signature and how to get it back to us. What we need is a timely response from you if and when we do that.

Frankly, I hope we never again see a market panic or a bear market, but I have been at this now for over three decades, and I am reasonably confident we will get to see interesting times again at some point. The key success in a crisis is having a plan and working that plan.

Radio Reruns

Jake and I will be out of town for the next several Saturdays, so the radio programs will be reruns, but… I intend to write you as I am now at least once a week from wherever I may be, so be alert for our missives. We are also posting them on our website, (www.tpwc.com). Let me know if there are subjects you want me to discuss in these messages.

So… Hang in there. All is well here in the U.S. of A. Whatever it is we are doing, it seems to be working!

Best regards and happy investing!

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