SYMPHONY
FINANCIAL SERVICES, INC.

Market Commentary
November 7, 2016

Dear Investors:

Markets hate uncertainty – and that may create opportunities.

Last week, investors experienced another bout of election jitters, and the Standard & Poor's 500 (S&P 500) Index fell for the ninth straight session.

The CBOE Volatility Index (VIX), a.k.a. the fear gauge, which measures the expected volatility of the S&P 500 during the next 30 days, was up more than 40 percent for the week. The shift in the VIX reflected investors' concerns about stock market performance after the election. Many think the next four weeks will offer a rough ride.

That may prove to be the case; however, all of the election hoopla and hyperbole has obscured some positive news. So far, the third quarter earnings season has been going well. According to *FactSet*, 85 percent of companies in the S&P 500 Index have reported earnings and the blended earnings growth rate for the Index is 2.7 percent. That means the S&P 500 Index is on track to experience its first quarter of earnings growth after five quarters of falling earnings.

A savvy portfolio manager or investor might wonder whether any of the companies with improving earnings have seen their share values decline because of election volatility and take time to evaluate whether any of those companies have become more attractive investments as a result.

If you're too worried about the future of America to think about investment opportunities, it may help to remember the President of the United States doesn't govern alone. An expert cited by *Barron's* offered this insight:

> "Regardless of who wins the White House…the new president will probably be playing between "the 40-yard lines" of the political gridiron against a Congress with at least one chamber controlled by the opposition. If both houses are held by the opposing party, the action probably could be stymied between "the 47-yard lines" – likely beyond even field-goal range to score any policy points."

No matter how moving the election rhetoric, the next President may have a hard time getting much done.

Data as of 11/4/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-1.9%	2.0%	-0.8%	5.7%	10.7%	4.2%
Dow Jones Global ex-U.S.	-1.8	0.3	-3.4	-3.5	1.6	-0.9
10-year Treasury Note (Yield Only)	1.8	NA	2.2	2.6	2.1	4.7
Gold (per ounce)	2.3	22.7	16.9	-0.5	-5.7	7.6
Bloomberg Commodity Index	-3.1	6.0	-3.7	-12.2	-11.0	-6.9
DJ Equity All REIT Total Return Index	-2.2	2.9	3.2	8.8	11.1	5.1

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

WILL THE U.S. PRESIDENTIAL ELECTION MOVE THE STOCK MARKET?
Elections often produce market volatility because markets hate uncertainty, and there is nothing certain about the outcome of the U.S. election. Election-induced volatility, however, often is relatively short-lived.

Remember, the downturn that followed the British vote to leave the European Union? Globally, markets lost about $3 trillion in two days following the late June vote. By the Fourth of July, many markets had recovered lost ground and made new gains, according to *Financial Times*.

So, what may happen after U.S. elections? Here are some thoughts:

> "In the event of a very narrow Clinton win, it is all but guaranteed that Trump would claim the election had been "rigged" and would challenge the result via the courts. Civil disorder is also possible. Under those circumstances, the infamous 2000 election suggests that the uncertainty could persist for at least a month and could weigh heavily on the stock market during that time. It was not until December 12, more than a month after polling day, that a Supreme Court ruling effectively handed the 2000 election to George W. Bush."
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> *--Paul Ashworth, Capital Economics, cited by Barron's*

> "After the silly season is over on November 8, about half the country will be elated and nearly half will be scared. And, both groups, research shows, are likely to tweak their investments accordingly. That's when things really get risky. The key to your success this year is understanding that your emotional reaction to the election – not who actually wins it – is what truly matters."

--Taylor Teppler, Time.com/Money

> "Successful investors understand that markets are always moving, and there's really no way to avoid the volatility that can come from uncertainty – even when it's caused by a contentious political campaign. The trick is to create a portfolio that includes a diverse mix of assets and is based on your investing time frame and risk tolerance."
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> --*Schwab Survey: Investors Who Plan Don't Fear Election Volatility*

Markets may get bouncy following the election. That doesn't change your long-term financial goals. If a portfolio review would help settle your election jitters, you may want to contact your financial professional.

Weekly Focus – Think About It

"The thing about democracy, beloveds, is that it is not neat, orderly, or quiet. It requires a certain relish for confusion."

--Molly Ivins, American newspaper columnist

Best regards,

John Y. Kim, J.D., LL.M.
President

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

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* All indices referenced are unmanaged. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.

* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
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