Eideard Group
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Recent Market Moves

Yesterday's selloff and the likelihood of continued near-term market volatility, while disturbing to all of us, likely marks the beginning of a justified recalibration by investors following what was an exceptional year of returns across all global markets for the last thirteen months right through January 31st. In the first 30 days of this year, the broad equity market delivered another outsized 6-7%, only to give it all back in the last few trading days. Yesterday's wild market swings suggest outright intervention by professional traders, including hedge funds seeking to take full advantage of market volatility that has been markedly absent for over two years. So, unless we are traders trying to capture market profit for ourselves or our hedge funds based on wild swings, driven by fear and greed, we must remain disciplined and look beyond this immediate period.

Further, we remain fully confident that equity market fundamentals have not deteriorated, nor are they likely to do so anytime soon given the recent tax reforms which should be a wind at the back of continued growth. So what has? The positive reality that economic growth will continue, unfortunately cuts both ways, i.e. wage growth and inflation which have been benign since the Great Crisis should logically begin to rise, which in turn should prompt the FED to raise interest rates in order to pre-empt an inflationary liftoff. And so the markets, which are driven by perception and expectation, begin the cycle of volatility based on that notion.

Volatility, having now reared its head, will likely become a more frequent visitor to daily trading. It may be days or even a few weeks before the market re-gains some level of normalcy. Notwithstanding, a refreshing reminder is that volatility is a two way street of downs and ups. We simply need to wait it out.

Meanwhile, if you wish to speak with us at any time, please don't hesitate to call.

John P. Aubin
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