



# The Rennie Quarterly Return

**Rennie & Associates**  
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## Don't Read This Headline!

2016 has certainly been a year full of incredible and unexpected real-world events. Nevertheless, un beholden to reality, a chronical of press headlines over the last twelve months leads the reader to believe that the financial world should have ended twice over in 2016. Reality is, it certainly did not.

Human memory is fleeting and the market's memory even shorter. A "headline vs. reality stretch" is a healthy and fun part of prudent investment calisthenics, building volatility endurance and more vigorous long-term portfolio returns.

I recommend taking a warmup lap before proceeding.

We began the year in China:

*"How China Could Crash the Global Economy" (1/10/16 – The Daily Beast)*

*"Dow plunges 391 points as fear grips markets" (1/15/16 – CNN Money)*

*"Soros Says China Hard Landing Will Deepen the Rout in Stocks" (1/21/16 – Bloomberg)*

Reality: 1/31/16 – 12/30/16  
Shanghai Composite: +15%  
US Stocks: +19%

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Then oil sprung a leak:

*"Crude oil hits 12-year low as traders predict \$10 a barrel" (1/12/16 – Evening Standard)*

*"Oil Prices Expected To Stay Low In 2016 After Plunging In 2015: BP Chief Executive" (2/1/16 – Int'l Business Times)*

Reality

Brent Crude 1/20/16: \$34.71  
Brent Crude 12/30/16: \$56.75

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And as if being called "junk" isn't bad enough:

*"Junk bond stress is spreading beyond energy, says Moody's" (2/2/16-MarketWatch)*

*"High-yield bonds lose their appeal amid ratings downgrades" (2/7/16 – Investment News)*

*"Moody's Sees Junk Defaults Reaching Highest Since 2009" (3/1/16 – Bloomberg)*

Reality: 3/1/16 – 12/30/16  
High-yield (junk) bonds: +15%

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Behold the terror of populism:

*"Could Brexit vote cause a stock market crash?" (6/22/16 – CBS News)*

*"'Brexit' Expected to Rattle U.S. Economy, Shake Its Influence" (6/24/16 – WSJ)*

*"Brexit turmoil deepens: Dow down nearly 900 points in 2 days" (6/27/16 – CNN Money)*

Reality: 6/28/16 – 12/30/16  
FTSE 100 Index: +19%  
US Stocks: +14%

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The indomitable "Chicken Little" strikes again:

*"Sell everything ahead of stock market crash, say RBS economists" (1/12/16 – The Guardian)*

*"'Sell everything,' DoubleLine's Gundlach says" (6/30/16 – Reuters)*

Reality: 2016 Year

US Stocks: +12.5%  
US Bonds: +2.4%  
Foreign Stocks: +4.0%  
Emrg Mkt Stocks: +11.5%

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And finally, US populism would be the demise of stocks:

*"Mark Cuban Predicts a Stock Market Crash if Trump Wins the White House" (9/7/16 – Fortune)*

*"FBI Reveals More Evidence That Stocks Will Fall If Trump Wins" (11/1/16 – Investor's Business Daily)*

*"Stock markets will freak out if Trump wins, but you probably shouldn't" (11/5/16 – Boston Globe)*

*"Investors see no let up to market bloodbath if Trump wins presidency" (11/9/16 – Reuters)*

Reality: 11/9/16 – 12/30/16  
All US Stocks: +5.8%  
DJIA: +8.2%  
Russell 2000: +14.4%

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The space below is provided to record your current pulse and blood pressure. Keep a record of each year's result. I believe 2016 will be all-time high readings for all but the most unflappable investor.

Pulse: \_\_\_\_\_

Blood Pressure: \_\_\_\_\_

Routinely performing the headline vs. reality stretch is an excellent way to reduce investment stress and maintain clear focus on your long-term objectives.

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My Two



*"We stand today at a crossroads: One path leads to despair and utter hopelessness. The other leads to total extinction. Let us hope we have the wisdom to make the right choice."*

Woody Allen



## Quarterly Trivia:

Who was the only President who didn't blame the previous administration for his troubles?

George Washington