

MONEYLETTER

Hotline

Welcome to the Hotline for Wednesday, September 14, 2016

Central banks have been the market movers over the last week. In Europe, ECB President Mario Draghi did not commit to an extension of its quantitative easing program past March, 2017, thus disappointing investors. Here in the US, a series of hawkish statements by Fed officials last week contributed to the sizable market tumble last Friday. Lael Brainard softened the blow on this week on Monday, saying rates should be raised gradually.

Economic reports have been scarce. We will get more data later this week, with retail sales, industrial production, and the consumer price index, among others.

Major markets have struggled since the last Hotline. From September 7th through today, the Nikkei 225 was down 2.3%; the S&P 500 shed 2.8%; and the Euro STOXX 50 declined by 4.1%.

We believe it is unlikely that the Fed will raise interest rates next week. The slow growth-conservative Fed model remains intact, and we expect moderate gains to resume. There are no changes recommended to your asset allocation targets, and there are no model portfolio trades for this week.

New Fund Changes – For domestic stock funds, there is one new Buy this week: Conestoga Small Cap Investor (ticker: CCASX). There is one new Hold: Vanguard S&P Mid-Cap 400 Value ETF (IVOV). There are no new Sells this week.

For international stock funds, there are four new Buys this week: SPDR S&P China ETF (GXC), Guinness Atkinson China & Hong Kong (ICKX), iShares MSCI China

(MCHI), and iShares China Large-Cap (FXI). There are three new Holds: iShares Latin America 40 (ILF), WisdomTree Emerging Markets SmallCap Dividend ETF (DGS), and SPDR S&P Emerging Markets ETF (GMM). There are no new Sells this week.

Thank you for calling the MONEYLETTER Hotline. The Hotline will next be updated on Wednesday, September 21st at 7pm (EDT).