
Weekly Market Flash

Giving Thanks

November 25, 2015

It has become something of a tradition for us here at MV Financial, on one occasion during the year, to do something a little different for our weekly commentary. In the days leading up to Thanksgiving, as we prepare to gather with friends and loved ones, we briefly turn our attention away from the incessant craziness of the global capital markets and reflect on the many reasons we have to be thankful. With this reflection, of course, comes a sober mindfulness. For far too many people on the planet, the onset of the holiday season brings no respite from suffering, from hardship and from loss. Our reflection this year, in particular, is acutely shaped by the tragic events that have unfolded around the world in the past several weeks. From Paris to Mali, from Beirut to Sharm el Sheikh, brutal acts of terror have once again seized the world's attention. Our deepest sympathies and condolences go out to all those who grieve for loved ones lost to those terrible, violent events. *Nous sommes avec vous.*

Financial markets have been eerily quiet in the immediate aftermath of these events, almost as if geopolitics has ceased to matter to the performance of stocks, or crude oil, or foreign currencies. On the Monday morning following the Paris attacks the French CAC Quarante index retreated by close to one percent, but had largely recovered its losses in full by midday. The S&P 500 went on to have its best calendar week of the year, gaining 3.3 percent in the five days through November 20. In the Middle East itself, the potential vulnerability of the region's vast oilfields to violent attack has been an imperceptible factor this year in the price of crude oil, which remains mired in the depressed constraints of a global supply-demand imbalance.

Perhaps we should add "stable financial markets" to the things for which we are thankful. Having experienced a jarring stock market correction this past August, in which certain risk measures signaled an environment far worse than what actually played out, we would just as soon see out the rest of this year with minimal drama. We are not so complacent, though, as to take the current relative stability as an article of faith. Geopolitics does have real economic consequences, and we very much expect it to be a variable at play as 2016 gets underway. Europe's ability to deal with its refugee crisis in a way that balances humanitarian aid and practical security concerns will be one flashpoint of concern. So will Russia's expanding role in the Middle East – Saudi Arabia's finance minister was in Moscow this week for policy discussions between these two oil powers. Not least, of course, will be the global geopolitical overhang influencing the contours of debate in next year's US presidential election.

We live in a time of massive change, a time when events and trends seem to be moving faster than humanly possible. Young people coming of age worry about where the jobs are going to be. In the past, seismic technology paradigm shifts mostly resulted in net job creation, as demand for new skill sets more than compensated for those rendered obsolete. That may not be the case this time; consider that, in their heyday, the giants of the emerging disruptive technologies of the early 20th century employed hundreds of thousands of people to design, build and sell their products. Today's Silicon Valley disrupters often sport multi-billion dollar market caps on work forces less than 100 strong. This raises questions about jobs, not in some distant future, but in the immediate future.

And yet, we are thankful. Thankful for the innovative drive of the human spirit to meet and overcome the most daunting of challenges, thankful for the love of family, community and environment that more often than not impels us towards doing the right thing. Thankful that we have been here before and not only survived, but prospered. The America of the 1890s, at the zenith of the Second Industrial Revolution, would have been utterly unfathomable to a time-traveling observer from the pastoral 1820s. The America of seventy years hence may prove to be just as unfathomable to anything we could conceive today. If we were to make a prediction, though, we would predict that prosperity will prevail over any and all challenges thrown up by change.

To all our clients and friends we wish the very happiest of Thanksgivings.

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