



# SOUND INCOME STRATEGIES

April 2016

Index	Month / Year to Date
Dow Jones	+0.61% / 2.77%
S&P 500	+0.26% / 1.70%
NASDAQ	-1.88% / -4.24%
10yr Treasury	-0.42% / current yield 1.83%

## Markets:

While March was a stellar month for equity returns, caused in part by climbing oil/gas prices, April is earnings season, and analysts' revisions to S&P earnings are starting to show less confident expectations for earnings. Actual earnings for the S&P 500 companies appear to have topped out at \$113+ per share in 4th quarter 2014, while 1st quarter 2016 looks to be about \$107 per share so far, with 62% of companies reporting. Aggregate Earnings' growth across the S&P 500 appears to be about -9%, according to companies reporting so far. Even the highly regarded global consulting firm McKinsey & Company has stated this month, "the golden age of stock market returns is over," and that economic and business drivers are shifting. None of this comes as a surprise to us at Sound Income Strategies, as we have been saying for many years that the party might be over and "wishing" for 10%+ returns will probably be in vain. We'll continue to be pragmatic and collect our monthly income stream from sound investments. While anything is possible in the equity market, I want to show you a graph that I believe is important. When the next 2008 occurs, I think people will look back at this graph and wonder why they didn't mention this on CNBC, Bloomberg, FOX, or other financial news outlets.

## S&P500: Volume vs Price since 1990-1st qtr 2016





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As you can see from the Bloomberg chart above, the S&P 500 volume (orange) vs. the price (green) started to disconnect right after the 2001 tech crash. Volume peaked shortly after that crash and has been falling ever since. While the equity markets can stay flat for an extended period of time, an eventual sell-off could have dire consequences, much like the housing bubble in 2007-2008. The changing regulatory environment for Wall Street Banks, creation of more ETFs, and a loss of Hedge Fund trading activity could mean there is no entity to step in and be a buyer of last resort to help prevent a sell-off. Flat 2015 returns and lackluster 2016 earnings could cause a spark, and we don't want our advisors/clients to be caught off-guard.

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