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## Putting Things in Perspective – Third Quarter 2015

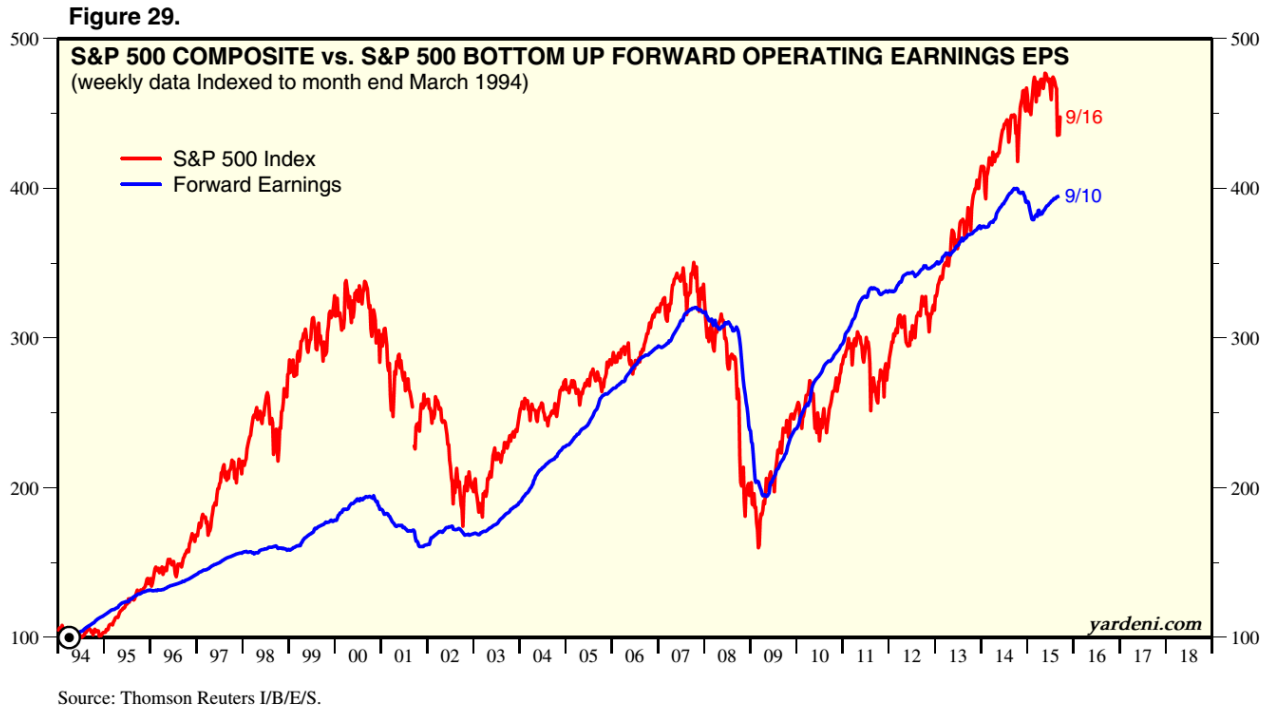
First, let me say I hope I don't offend anybody with my comments. After 38 years in the business, and the scars to match, sometime I can be a little "flippant". Let's start with a little history. Since 1980, the average annual market correction, calendar peak to trough, is 14.2%. So far this year, it has been 12.4, or a little less than par. Also, since 1980, the S&P 500 has gone from 106 to over 2100, for an average gain of 11.73%. Put another way, if you put in \$100,000 in 1980, it would be over \$5 million to day. So understand, the volatility is the reason for the returns (get that?). The premium return of equities are due to the unpredictability. This is just the efficient way of pricing. But the declines have always been temporary, and the gains have been permanent. The only way you didn't get the superior returns is if you got out. If you can't "stomach" an average 14% decline, you can't be an equity investor. As the famous Peter Lynch once said, "Much more dollars have been lost anticipating corrections than has ever been lost in corrections."

They say equities always "climb a wall of worry." Doom and gloom is always prevalent, and always will be. There will always be a closely reasonable argument for a global collapse, and they will always be wrong. The past history is prologue!

If you want to look at something that is, I believe, fairly trustworthy, see the chart below. Earnings are what drive the market. Experts are looking for corporate earnings to be up 8 – 10% by next year-end. The path of least resistance should be up. Up 10% from current levels to year-end next year is a reasonable expectation.

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## S&P 500 Index & Forward Earnings



If you would like to discuss the market and/or your account(s), please contact me at 713.428.2050, x2 or via email to [josborn@houcap.com](mailto:josborn@houcap.com).

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