

Tom: In this episode we're going to talk about dealing with slumps. Welcome to the Mullooly Asset Show. I'm your host, Tom Mullooly, and this is episode number 33. 33 on the Mets, Matt Harvey, the Dark Knight. This is a pitcher with a lot of talent. He's very, very good. But the media in New York has dubbed him the savior of the franchise, the Dark Knight. He's got a lot of pressure, doesn't need to do that. He's been dealing with a slump to start the 2016 season. He's a good pitcher; he's got good stuff; it's all going to work out just fine; by the time the season's over I'm sure his stats are going to be just fine.

But that's the problem. Whether you're a pitcher for the Mets or if you're an investor, you have to learn to handle slumps. That's what we want to talk about today. See, we get questions all the time from our clients not only about managing their cash flow or managing their money or estate planning or things like that, but we talk about investments all day long. The way these videos work is we get questions, Casey reads them to us, and then we'll try and answer them as best we can. Casey, what do you got for us today?

Casey: It looks like the market's been in a slump recently. Should we be concerned?

Tom: Let's talk about two of the biggest indices that people are used to hearing about. Let's talk about the S&P 500 and the Dow Jones. S&P first. It's pretty amazing to see what happened. If you see it on a chart, we'd be happy to show you too. Get in touch with us. In August of 2014 ... now that's almost two years ago from the time we're recording this ... the S&P 500 crossed 2000. Since then, it's basically done nothing. We've had four times where the S&P has dropped 10%, and then recovered 10%, and then dropped 10% again, and then recover 10% again. If you look at the big picture, from August of 2014 through today, June of 2016, nothing. S&P has basically been churning in place.

Investors now are looking at their statements almost halfway through 2016 and they're saying, "I don't see much progress. I don't see what's going on. Maybe we should change our strategy. Maybe we should change our approach." Hold on, hold on. Our friends at Dorsey Wright remind us all the time that when you're churning in place like this and you're just building on a chart, you're building columns of Xs next to columns of Os, and more Xs, and more Os, you're just building a big, big, big, big base, when you get a blast-off from a base that big, you're going to get a heck of a move. While investors may not have seen anything going on in the market for a couple of months now, you need to look back even further. It's actually going on two years where the market hasn't given us a whole lot to work with. We're just building a huge, huge base. Eventually, we're going to be blasting out of that. A little more patience. I think you're going to be very well rewarded. It really pays to be a longer-term investor. Anywhere, most people know that.

We promised that we'd talk about the S&P 500 and the Dow Jones, so let's talk about that. It's been pretty crazy how the S&P 500 has been making new highs, new highs, new highs over the last couple years. Let's break that down. Let me give you some numbers. In 2013, a pretty good year in the market, the Dow Jones Industrial Average

made 52 new highs. 52: that's once a week it was making a new high. In 2014, the Dow Jones made 38 new highs; that's one every six or seven days. That's a ton of new highs. In 2015, 6. Only made 6 new highs.

So far in 2016, the Dow Jones has not made a new high. It shows you how the breadth has been narrowing. Now let's keep things in perspective. The S&P is 500 of the largest companies in the United States. Pretty big index. The Dow Jones Industrial Average is just 30 stocks. It's not really a true comparison of small cap versus large cap, mid-cap. They're all mega cap. They're all huge companies. Two completely different indices, but things that people watch. It's important to know that when your favorite baseball player goes into a slump or when your investments go into a slump, unless the reason for investing has changed, got to ride out that slump. Don't get stuck on the bench. We'll see you for episode 34.