

# KCM'S KOMMENTS—KURRENT NEWSLETTER

## KELLY CAPITAL MANAGEMENT, LLC

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### 2ND QUARTER KOMMENTS

JUNE 2016—KOMMENTS

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#### MARKETS AND ECONOMY:

Volatility, instability and uncertainty witnessed in the 1st quarter continued in the 2nd quarter. In fact, the volatility was exacerbated by the UK's "Brexit" vote at the end of June. Nevertheless, we at KCM remained fully invested and our clients reaped the benefits of our decisions.

At KCM we do not see the UK exit from the EU as an apocalyptic event. Yes it will negatively affect the UK's ability to export to EU countries. Nevertheless, the UK imports don't represent even 5% of US exports so its exit from the EU is not a big threat to our economy or investment markets. The eventual Brexit decision, if confirmed by the UK government, will unfold over a number of years.

For the quarter, the US economy continued its slow growth rate. The FED became more sensitive to world economic, political and market conditions. The result: no added interest rate increase in 2nd quarter. In fact, it now appears based upon FED minutes and public statements from various FED members, no interest rate increase will occur in 2016.

#### RESULTS:

For June, every asset class index benchmark had a positive return and so did our company's various strategies. Real estate and emerging market equities were quite close to each other and were well ahead of domestic equities and fixed income ("bonds").

For the quarter, real estate, domestic equities, emerging market equities and bonds ranked 1,2,3 and 4 respectively. For the year to date, real estate and emerging markets were at the front of the pack, followed by domestic equities and bonds. Overall, our broad based diversification helped clients to gain from their tailored asset mix strategies for June, the full quarter, and the year to date.

We expect 2016 will continue to see volatility. Historically, election years tend to be positive. We are not confident 2016 will follow the historical track. At this time we believe neither presumptive candidate will reduce overall Federal debt levels and each would increase spending. This will put pressure on job creation, benefits, and economic growth.

More on election year market impacting events, potential Brexit contagion, and our markets' reaction to these two salient issues in future KCM Komments. Of course, we cannot forget our country is at war and we must thank the heroes here and overseas who are keeping us safe.