June 24, 2016 - Market Commentary

K. Sean Clark, CFA
Chief Investment Officer

As Clark Capital's Chief Investment Officer, Sean oversees all of the Firm's investment activities and heads the firm's portfolio team. Sean joined the firm in 1993 and is responsible for asset allocation and investment selection for Navigator Investment Solutions as well as directing ongoing market research and contributing to the development of proprietary products. Sean is a member of the Clark Capital Investment Committee and the Executive Committee. He graduated from the University of Delaware, earning a B.S. and an M.A. in Economics. Sean is a Chartered Financial Analyst and a member of the CFA Institute (formerly AIMR) and the Financial Analysts of Philadelphia, Inc. Sean is considered an industry expert and is often asked to appear on CNBC and Bloomberg television to share his views on the market. In addition, Sean has been featured in a number of articles in nationally distributed business journals and newspapers.

BREXIT WINS

The U.K. voted to leave the European Union after more than four decades in a stunning rejection of the continent's postwar political and economic order, sending shock waves around global markets. David Cameron resigned as Prime Minister, the British pound plunged to the lowest since 1985, stocks tumbled around the globe, and U.S. Treasuries surged, sending the 10-year Treasury yield down to about 1.40% in early morning trading – just a shade above the all-time closing low of 1.38% struck in July of 2012.

The vote to exit sets the U.K. up for bitter divorce talks with the EU, which could potentially drag on for years, and tips the country a step closer to recession. JPMorgan Chase & Co. and HSBC Holdings Plc have said Brexit would lead them to move thousands of jobs out of London.

The results of the British vote may also empower populist parties in other EU nations to also pursue an exit vote. Above all, the outcome shows just how disillusioned Western voters have become with the political establishment for failing to deliver more inclusive economic growth in the era of globalization. The biggest fear among investors is the contagion that a British exit from the EU will have across Europe.

The U.S. market has been a relative safe haven leading up to the Brexit vote, with the S&P 500 trading less than 1% below its all-time high. U.S. markets were poised to breakout to new highs, participation was widening and the NYSE advance-decline line was at all-time new highs. In the short run, this positive momentum will likely be derailed, but we believe the secular bull market remains intact and that the temporary weakness created by the exit vote will present opportunities along with the obvious challenges.

Central banks will likely flood the markets with liquidity given the spike in volatility and a July Fed rate hike is now definitely off the table.

History reveals that geopolitical events typically don't drive the long-term direction of the U.S. stock market. Nonetheless, they can have a short-term psychological impact on investor confidence. We remain keenly focused on the repercussions that the vote may cause and will position our strategies accordingly.

Mid-Year Market Outlook, July 13

As always, thank you again for partnering with Clark Capital. We look forward to serving you and your clients. Please mark your calendars for our 2016 Mid-Year Market Outlook Webinar, which will be held on Wednesday, July 13th at 4pm Eastern and is eligible for one hour of CFP® CE credit. We will be sending you a registration link within the next week.

The S&P 500 measures the performance of the 500 leading companies in leading industries of the U.S. economy, capturing 75% of U.S. equities.

The Dow Jones Industrial Average is a stock market index that shows how 30 large publicly owned companies based in the U.S. have traded during a standard trading session in the stock market.

The NASDAQ Index is a market-weighted index of all common stocks listed on the NASDAQ exchange.

The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performers of developed markets outside the U.S. and Canada.

The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance.

The MSCI World Index ex. U.S. is a free float-adjusted market capitalization index that is designed to measure global developed market equity performance excluding the U.S.

The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The MSCI All Country Europe is a free float-adjusted market capitalization index that is designed to measure the performance of European equity markets.

The Russell 2000® Index measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The Russell 3000® Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market.

The VIX Index is a forward looking index of market risk which shows expectation of volatility over the coming 30 days.

Barclays U.S. Government/Credit Bond Index measures the performance of U.S. dollar denominated U.S. Treasuries and government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one year.

The Barclays U.S. Aggregate Bond Index covers the U.S. investment-grade fixed-rate bond market, including government and credit securities, agency mortgage pass-through securities, asset-backed securities and commercial mortgage-based securities. To qualify for inclusion, a bond or security must have at least one year to final maturity, and be rated investment grade Baa3 or better, dollar denominated, non-convertible, fixed rate and publicly issued.

The Barclays U.S. Corporate High-Yield Index covers the dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market. Securities are classified as high-yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below.

Index returns include the reinvestment of income and dividends. The returns for these unmanaged indexes do not include any transaction costs, management fees or other costs. It is not possible to make an investment directly in any index.