Broadleaf Partners, LLC

Heading into the Labor Day Weekend September 4, 2015

As we head into the extended Labor Day Weekend, we thought it would be a good idea to share some quick thoughts on the continued volatility in the global stock markets, including our own. In addition to our own long weekend, the markets in China will also reopen on Tuesday, after being closed for their holidays the past two days.

Our overall thoughts from our update two weeks ago, Earnings Voids and the Emergence of Plausible Risk, have not changed. The China and commodity weakness stories are not new, but when we are growing our GDP at just 2% or so and entering a historically weak seasonal period for the stock market, any plausible risk becomes elevated and any pothole feels as though it could engulf the entire car.

We believe that today's volatility is almost entirely related to something that hasn't happened in nearly ten years - the possibility of a Fed rate hike and what it could mean for the economy and investors. Our view remains as it was two weeks ago. The Fed should just get started. The world is never going to be all puppy dogs and rainbows. There will always be cloudy skies somewhere in the world and the Fed can't make the sun shine.

This morning's employment report continued to paint a picture of a recovering domestic economy, with decent gains in both payrolls, hours worked, and wages. The overall unemployment rate declined to just 5.1%, below levels the CBO has associated with full employment. The housing market continues to improve and energy prices remain low, a benefit for the typical consumer. The productivity associated with the tremendous rate of innovation in the sharing economy remains immeasurable, as it always is, as Moore's Law extends its tentacles deeper into all sectors of our economy.

At this point, we believe the level of stimulus the Fed is providing is no longer consistent with economic reality and their primary objective of maximum employment and stable prices has been met. The IV drip has been in the patient long enough. While things might not be outstanding, they are good, and in spite of the current stock market jitters, withdrawal pangs are part of the course and in this case we expect them to be temporary.

Investors have forgotten what it means to be focused exclusively on company fundamentals, without a doctor always hovering in the background. It's time to release the patient and see what she can do. It's time to shed the training wheels, once and for all.

In spite of the recent unsettling moves in the market, we think she'll not only do great, but be far better off.

Have a blessed Labor Day!

Kindest Regards,

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