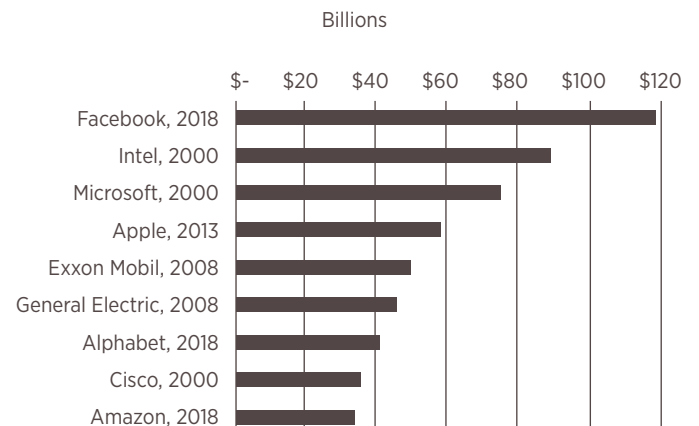


## Chart of the Month →

On July 26th, Facebook set a record that no one wants to break – for the biggest single day drop in market value: \$120 billion (for perspective, McDonald's is only worth about \$120 billion in total!). In the following chart, we compare this to other large single day losses. Some of these happened during times of general market panic. One may have been caused by a Presidential Tweet. For the most part, though, these are stories of growth failing to keep up with expectations. As a company's market value rises relative to its earnings, it takes a higher level of expected growth to justify its price. Sometimes companies continue to deliver, but their shares can be in for a shock if they don't.

Largest Daily Losses in Market Value



Source: Bloomberg



## The Advisor Survey:

**Bryan Green, Managing Director, Wealth Advisor**

*How are you managing expectations when recent earnings growth appears to be much higher than in the past decade?*

When investing in stocks, we can think of the returns as coming from three sources – dividends, growth in earnings per share, and change in the price-to-earnings multiple. There is a very interesting divergence in the earnings growth piece recently compared with the longer term. Looking at time frames longer than the past 12 months, earnings growth has been pretty similar in a 5-7% range. Earnings growth in the past 12 months was over 15% – by far the largest of the three components of the S&P 500's return over that period. Going forward it would make sense to expect some 'reversion to the mean' with rates of earnings growth moving toward the longer-term averages. This could be reflected in lower future returns for the S&P 500. [Click <here> for the chart.](#)

	Source: FactSet 2018	July	YTD	2017	Benchmark
<b>Stocks</b>	United States	3.7%	6.5%	21.8%	S&P 500
	Intl Developed	2.5%	0.0%	25.6%	MSCI EAFE
	Emerging Markets	2.3%	-4.4%	37.8%	MSCI Emerging Markets
<b>Bonds</b>	US Investment Grade	0.0%	-1.6%	3.5%	Barclays US Aggregate
	Intl Investment Grade	-0.4%	-1.7%	10.5%	Barclays Global Aggregate xUSD
	Global High Yield	1.7%	-0.9%	10.4%	Barclays Global High Yield
	Emerging Markets \$	1.7%	-2.2%	8.2%	Barclays Emerging Markets USD Aggregate
<b>Other</b>	Commodities	-2.1%	-2.1%	1.7%	Bloomberg Commodity
	Gold	-2.3%	-6.1%	13.2%	Gold New York Spot (\$/oz)
	Oil	-7.3%	13.6%	12.5%	Crude Oil WTI/Global Spot NYMEX

E / [contact@6meridian.com](mailto:contact@6meridian.com) • P / 316.776.4601 / 855.334.2110 • F / 316.776.4620

[WWW.6MERIDIAN.COM](http://WWW.6MERIDIAN.COM) • 1635 N. Waterfront Parkway, Ste. 250, Wichita, KS 67206

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