Russell's view:
Market sell-off – August 4, 2011

A message to financial advisors and their clients

As you are no doubt aware, following Tuesday's controversial debt ceiling compromise, the market shifted its attention from the *dramatic* problem of bipartisan brinksmanship toward the genuinely *difficult* problem of achieving a sustainable deficit level with a weakened U.S. economy. This problem echoes conditions in developed countries around the world – as a consequence, global markets sold off indiscriminately. **In our assessment, the sell-off reflects pessimism as to whether or not the common ground between political partisans and public and private sectors required to spur renewed global growth will be easily found.**

A one day sell-off at this level is not unusual, and not surprising at this point in light of the recent barrage of negative news. Anemic employment figures, subdued consumer confidence and restrained capital expenditures appear to be pushing investor sentiment to a tipping point. Notwithstanding, **today's sell-off is inconsistent with our continued forecasts of economic recovery and does not alter our favorable view of equity valuations.**

We remind clients that successful investing is a long term project, undertaken with risk and uncertainty. The appearance – and reality – of investors' skepticism about the basic effectiveness of our institutions' collaboration to create conditions for economic recovery are among the most scarring after-effects of the global financial crisis.

Advisors and investors would do well to see today's events in this context, and to avoid allowing a short interval of dramatic negative news to capsize their long term plans.

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