

## The Week of Noise: August 8-12, 2011

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The frenetic week of August 8-12, 2011 probably reminded us of junior high. One day our friends loved us, the next day they wouldn't even talk to us. A great life, wasn't it? NOT.

On Monday, August 12 nearly every asset class (as shown below) was in the tank—big time. Only US aggregate bonds (LAG) and inflation protected bonds (TIP) had positive returns for the day. Cash is basically in a coma, so we won't even count it.

The S&P 500 Index (as measured by SPY) lost 6.53%, while the EAFE Index (EFA) was down 7.47%. The ETF-based **7Twelve** portfolio (shown below) lost 4.78% on Monday.

Tuesday was equally neurotic, but on the upside. Real estate (VNQ) was up over 9% in one day.

Daily % Performance of <b>7Twelve</b> Portfolio Asset Classes August 8-12, 2011	August 8	August 9	August 10	August 11	August 12	Percentage Change for the Week
Large US Equity	(6.53)	4.67	(4.42)	4.49	0.67	(1.64)
Midcap US Equity	(8.07)	6.25	(3.30)	5.28	0.52	(0.04)
Small Cap US Equity	(8.51)	6.76	(4.60)	4.98	0.19	(1.99)
Non-US Equity	(7.47)	6.74	(5.97)	4.79	1.15	(1.56)
Emerging Non-US Equity	(8.06)	5.33	(5.16)	5.76	(0.07)	(2.93)
Real Estate	(8.65)	9.08	(2.31)	5.18	(0.02)	2.36
Natural Resources	(7.69)	5.42	(2.56)	4.47	0.62	(0.33)
Commodities	(3.71)	0.97	0.43	2.17	(0.14)	(0.38)
US Bonds	0.17	0.50	0.80	(1.25)	0.14	0.35
TIPS	1.21	0.83	1.85	(2.08)	0.57	2.36
Non-US Bonds	(0.02)	0.87	(0.66)	0.26	0.40	0.85
Cash	0.00	0.00	0.00	0.00	0.00	0.00
<b>7Twelve</b> Portfolio (all 12 sub-assets equally-weighted)	(4.78)	3.95	(2.16)	2.84	0.34	(0.07)
<b>S&amp;P 500 (SPY)</b>	(6.53)	4.67	(4.42)	4.49	0.67	(1.64)
<b>60% Large US Stock (SPY), 40% Bonds (LAG)</b>	(3.85)	3.00	(2.33)	2.19	0.46	(0.70)

As can be seen in the data table, it was a whipsaw daily experience in nearly every major asset class. For the week as a whole, the most ubiquitous measure of the "market" (the S&P 500 Index) finished with a loss of 1.64% as compared to real estate and TIPS that were both up 2.36%. US aggregate bonds gained .35%. The **7Twelve** portfolio (all 12 ETFs shown above held in equally weighted portions) ended the week with a fractional loss of .07% compared to a loss of .70% in the classic "balanced portfolio" consisting of 60% US stock and 40% US bonds.

All of this is a powerful reminder to broadly diversify our investment portfolio and tune out the daily noise.