

WEEKLY MARKET COMMENTARY

For the Week of Feb. 1, 2016

THE MARKETS

A weak January ended with more than a 2 percent surge on Wall Street. Precipitating the rally, the Bank of Japan cut interest rates to stimulate its economy, and Microsoft led gains in technology shares. For the week, the Dow rose 2.32 percent to close at 16,466.30. The S&P gained 1.77 percent to finish at 1,940.24, and the NASDAQ climbed 0.50 percent to end the week at 4,613.95.

Returns Through 1/29/16	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	2.32	-5.39	-1.67	8.50	9.46
NASDAQ Composite (PR)	0.50	-7.86	-0.46	13.66	11.31
S&P 500 (TR)	1.77	-4.96	-0.67	11.30	10.91
Barclays US Agg Bond (TR)	0.52	1.38	-0.16	2.15	3.51
MSCI EAFE (TR)	1.51	-7.22	-8.52	3.35	8.28

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.

Almost the Lowest — Inflation (as measured by the Consumer Price Index) advanced by just 0.73 percent during 2015. The United States has had just one year of annual inflation lower than 0.73 percent in the last 50 years (1966-2015). Inflation advanced by only 0.09 percent in 2008 (source: Department of Labor, BTN Research).

Not Following Suit — When the Federal Reserve raised short-term interest rates on Dec. 16, 2015, the yield on the 10-year Treasury note was 2.30 percent. The yield on the 10-year note closed at 2.06 percent last Friday, Jan. 22, 2016 (source: Treasury Department, BTN Research).

Huge — The U.S. stock market was worth \$23.6 trillion as of Dec. 31, 2015. The S&P 500 comprises 80 percent of the total U.S. stock market capitalization as of Dec. 31, 2015, equal to \$18.8 trillion (source: BTN Research).

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WEEKLY FOCUS – Winding Up a Wobbly Month

The past month on Wall Street resembled January in the Midwest: grey skies interspersed with an occasional glimpse of welcome sunshine. But just because the markets were shaky, your knees don't have to be. Certainly, it's daunting to watch your investments go up and down – and even more unnerving when they stay down. After all, no one actually knows whether a decline is temporary or the beginning of a bear market.

Still, it's important to remember markets naturally move up and down. That volatility is what provides risks and rewards. In 2008 – 2009, market averages were cut almost in half. But 2012, 2013 and 2014 brought double-digit gains. In fact, the U.S. stock market enjoyed a six-year bull run into much of 2015, one of the longest in history.

Even with the market's recent volatility, there are encouraging factors on the economic horizon. China has begun a difficult, multi-year plan to rebalance its economy and achieve slower, more sustainable growth. This could benefit everyone in the long run. U.S. stocks may have largely lost ground in 2015, but European and Japanese stock markets posted gains. Although many emerging markets have slowed, financial writers remain optimistic about potential growth in India and some Asian economies.

While recessions are hard to predict before they begin, certain indications are usually present. For instance, payroll employment typically drops sharply in the year preceding a recession. But the U.S. economy *added* 2.65 million jobs in 2015.¹ Rising oil prices can cause recessions; falling oil prices rarely do. Current oil rates are bad for oil companies but good news for manufacturers and consumers.

Our first interest rate increase in nearly a decade had little impact on the market or inflation, and pundits expect interest to remain low through 2016. Finally, even though global currencies are falling, the dollar started the new year strong.

If you have questions or concerns about your individual situation in light of market conditions, please make an appointment for a thorough review of your portfolio and long-term investing strategies.

¹Steve Benen, "Job Market Wraps Up 2015 on a Very Strong Note," www.msnbc.com/Rachel-maddow-show/job-market-wraps-2015-very-strong-note



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* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years. Written by Securities America. SAI# 1407339.1