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Financial Planning to Get the Job Done

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Market Commentary: January, 2016

2015 is in the books and, for better or worse, we say good riddance. Most accounts showed small losses for the year, but we will gladly take that, compared to the rout we faced in 2008. At the beginning of this new year, we naturally start to wonder how 2016 will unfold. Although our crystal ball has always been cloudy, we will not be surprised to see a continuation of difficult markets.

"Drab Outlook for the Market in 2016". That was a headline on the front page of the Saturday, January 2nd issue of the Wall Street Journal. On Monday, January 4th, we dropped about 2% in value in the major US and foreign markets. There seem to be a lot of "negative vibes" today, not only in the economy and markets, but also in US politics, and foreign affairs.

Negative headlines like those above are often a contrarian indicator -- that is, when things feel the worst the market often goes up, and when investors are ebullient, the market hits a peak and starts down. But today, the gloom could be well-placed, at least in the short term.

One of the most reliable analysts we follow points out a number of conditions today that historically have presented challenges to past economies and investment markets.

- The current bull market is almost seven years old, and has to cycle down at some point.
- Speculation appears to be high, with technology stocks providing a large part of the return of the S&P 500[1] in 2015.
- A number of technical indicators began to turn negative in 2015 and did not revive during the rally in the fourth quarter of 2015.
- There is continuing evidence that corporate profits have peaked.
- Historic measures of value such as the price-to-earnings ratio (P/E) are high today.
- A survey of consumer sentiment is mixed, with consumers feeling pretty good about their present situation but with gloomy expectations.

We don't present these comments in order to drive fear of a bear market or to advocate any major changes in our portfolios -- we are *long-term* investors. But we want our clients and friends to remain aware that the investment markets will continue to go through inevitable cycles. We continue to believe that a well-diversified portfolio, specifically tailored to your goals and objectives, is the best way to invest for the long term and your best chance of reaching your personal retirement goals.

Thinking positively, the United States continues to be the most dynamic economy in the world, filled with entrepreneurs with a plethora of ideas to change our world for the better. Think biotech creating new medicines to lengthen lives and enhance the quality of those lives. Think self-driving cars with a promise to greatly reduce human driver error, the number one cause of accidents. The stock market will go through ups and downs as always, but we continue to believe that the general trend of human progress will be up.

We wish all of you a happy, healthy, and prosperous new year. And remember: We want you to call us with your *"Here's what I'm thinking about doing"* questions, not your *"Guess what I just did!"* comments.
As always, we are here to answer your questions and discuss your concerns. Please do not hesitate to contact us.

The statements above are the opinion of Kevin N. Tucker, CFP, as of January 7, 2016, and are subject to change at any time without notice. The above statements are not a recommendation of any investment product nor a solicitation to buy or sell any security. Past performance is not an indication of future results.

[1] The Standard & Poor's 500 Index (S & P 500) is an unmanaged index of large company stocks considered to be representative of the US stock market. Investment cannot be made directly into an index. Past performance is not an indication of future results. Future returns are not implied nor guaranteed in any way.
