

April 4, 2016

## Equity markets spring forward in March

A quarter ago, investors harbored concerns about declining oil prices, an economic slowdown in China, and the tumult wrought on domestic equity markets. While concerns still remain, they've been tempered in recent weeks, Oil, for example, has climbed to around \$40 a barrel, and China's Shanghai Composite has experienced a nice little rally of its own. Domestic market performance picked up significantly, as well, following a volatile January and a relatively calm February. All three major domestic stock indices and the international EAFE index were able to stage a comeback for the month of March. And the S&P 500 and Dow Jones Industrial Average bounced back enough to erase their losses from January and end the quarter in positive territory.

	3/31/16 Close	12/31/15 Close	Change	Gain/Loss
DJIA	17,685.09	17,425.03	260.06	1.47%
NASDAQ	4,869.85	5,007.41	-137.56	-2.74%
S&P 500	2,059.74	2,043.94	15.80	0.77%
MSCI EAFE	1,660.68	1,716.28	-55.60	-3.24%

Performance reflects price returns as of market close on March 31, 2016.

Federal Reserve Chair Janet Yellen has indicated that the central bank's decision to raise short-term interest rates will be data dependent, with a primary focus on the job market and the inflation outlook. However, while the Fed's economic outlook has not changed much since the mid-December policy meeting, officials are aware of greater downside risks to growth – and therefore, expect to proceed “cautiously” in normalizing monetary policy. Investors seemed to appreciate Yellen's passive tone, and stocks rallied after she reaffirmed that the Fed will likely take its time in raising rates. The policy expectations of Fed officials vary, but most now anticipate just two rate hikes this year, instead of four.

Like Yellen, Raymond James Chief Economist Scott Brown sees signs of moderate growth and strong consumer fundamentals and housing data, but is keeping an eye on soft business fixed investments and the impact of a strong dollar. Election-year uncertainty may also come into play, fueling further caution among businesses.

Chief Investment Strategist Jeff Saut also remains cautiously optimistic, noting in recent commentary that underlying fundamentals are positive and that any pullback from the upswing in the market is likely to present attractive buying opportunities for investors poised to take advantage.

“We continue to believe the secular bull market remains in place and has years left to run,” Saul wrote during the last week of the month. “While GDP growth may be slow, it is sustainable. Employment is being driven by full-time jobs. And with unemployment at 4.9% and college-degreed unemployment at 2.5%, we are near full employment

I’ll continue to monitor the issues at hand and pay close attention to the latest economic data and financial news.

In the meantime, please feel free to call me if you have any questions. I look forward to speaking with you.

Sincerely,

A handwritten signature in black ink, appearing to read "Larry Cavalea". The signature is fluid and cursive, with a long horizontal stroke at the end.

Larry Cavalea  
Registered Principal

LC:tlf

Investing involves risk, and investors may incur a profit or a loss. Past performance is not an indication of future results and there is no assurance that any of the forecasts mentioned will occur. Investors cannot invest directly in an index. The Dow Jones Industrial Average is an unmanaged index of 30 widely held stocks. The NASDAQ Composite Index is an unmanaged index of all common stocks listed on the NASDAQ National Stock Market. The S&P 500 is an unmanaged index of 500 widely held stocks. The MSCI EAFE (Europe, Australia, Far East) index is an unmanaged index that is generally considered representative of the international stock market. International investing involves additional risks such as currency fluctuations, differing financial accounting standards, and possible political and economic instability. These risks are greater in emerging markets. The performance noted does not include fees or charges, which would reduce an investor’s returns. There is no assurance the trends mentioned will continue or any forecasted events will occur.

The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete. It is not a complete summary or statement of all available data necessary for making an investment decision and does not constitute a recommendation. This information is not intended as a solicitation or an offer to buy or sell any security referred to therein.