Market Commentary

1Q 2016

Most people feel good when the value of their financial accounts moves up in a steady fashion, and feel uncomfortable or bad when the value bounces around or falls. Market developments during the first three months of 2016 may have left you with a sense of vertigo. By mid-February, we were reading reports that the equity markets were experiencing their worst start of any year on record. Large cap US stocks had fallen in price by 10%, small caps by nearly 20%, high yield bonds were down sharply and a number of foreign markets were encountering serious headwinds. Then, we saw a pronounced reversal as equity markets raced higher in March. All told, there was a broad range of returns in the global equity markets for the quarter: from -6% in Japan to +20% in Latin America. Large cap US equities finished at +1%.

It is important to note that asset classes other than equities did exhibit that attractive, steady upward movement in prices during 1Q16. Investment grade corporate bonds, US Treasuries, global government bonds, and gold all had less volatile price performance than stocks and produced positive returns for the quarter. Diversification in your portfolio works. Developing and sticking to an investment plan is beneficial to your long term financial well-being.