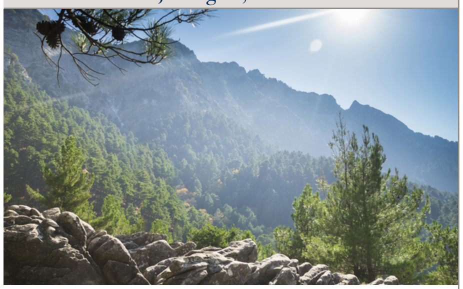
RAYMOND JAMES®

market update

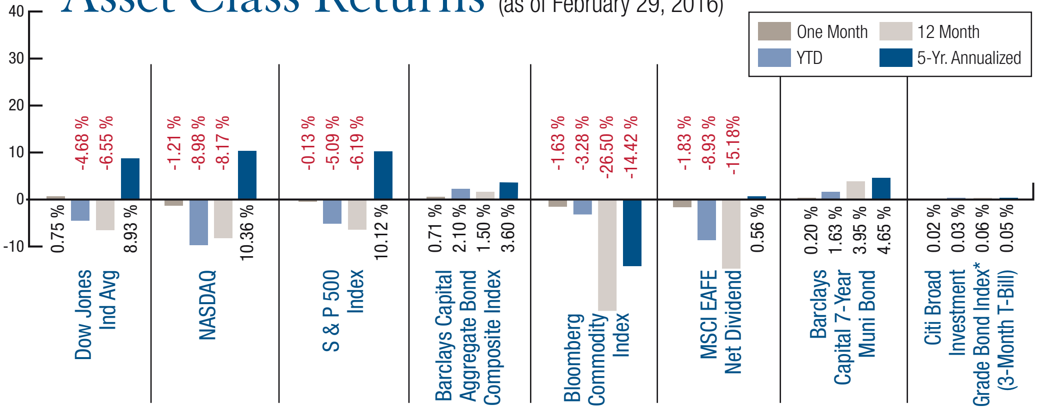
From the Office of:
Jeff Sgroi, CFP®



"Opportunities are seldom labeled."

John A. Shedd

Asset Class Returns (as of February 29, 2016)



Market/Economic Synopsis

- Oil volatility continues, but cracks $40/barrel on March 7th for first time since 2015
- Mortgage rates drop to historic lows, coinciding with lower Treasury yields
- Clinton and Trump emerge as early presidential frontrunners, as Christie, others drop from race
- Bull market celebrates 7 year anniversary on March 9th
- President Obama seeks replacement for recently deceased Supreme Court Justice Antonin Scalia
- First 10 days of 2016 are worst in history for S&P 500, down 8.00%
- Rise in gold prices offers glimmer of hope for metal holders
- Former First Lady, Nancy Reagan, passes at 94

2016 Market Outlook, CONTINUED

Since there is plenty of time to focus on the presidential election in the next few market letters, I want to follow up on the January Market Letter's outlook for the year. We have seen a year's worth of market movement and volatility in the first ten weeks of 2016. With that being said, I believe that a number of themes for the year offered in January's Economic Outlook, provided by the Raymond James Investment Strategy Committee, remain intact. Following are some points of interest.

ECONOMIC HEADWINDS:

1. Tighter U.S. monetary policy – the Federal Reserve raised interest rates in December 2015, possibly shifting the trajectory of what had been years of flat, low rates
2. A strong U.S. dollar – can hurt earnings of domestic-based companies that rely on foreign sales
3. Slower earnings growth – corporate earnings are the primary driver of equity prices over the long term
4. Lower commodity prices – a deflationary signal
5. Geopolitical uncertainty – especially in the Middle East, North Korea
6. Slow global growth, particularly China – Chinese markets have fluctuated since mid-2015, and the U.S. equity markets have followed similar trading patterns

ECONOMIC TAILWINDS:

1. Moderate U.S. economic growth – any growth in the economy is a positive
2. A healthy labor market – depending on the data one studies, employment figures are generally healthy
3. An ongoing housing recovery – low interest rates have in part supported housing and construction
4. Low interest rates – generally bullish for equity markets, as borrowing costs are low and access to capital can spur investment on many fronts
5. Strong consumer spending – Americans tend to spend what they make, with ~70% of GDP dependent on the consumer
6. European improvement – quantitative easing by the European Central Bank appears to be having similar effects as those of the Federal Reserve's recent efforts in the U.S.
7. Stabilizing oil prices – since reaching the mid-$20's per barrel, prices have bumped up to $40+ recently

EQUITY MARKETS:

1. Secular Bull Market – Secular bull markets tend to last 14 to 15 years. Since having bottomed out in March 2009, the current bull market should run another 7 to 8 years.
2. Modest Equity Gains – Positive earnings growth should lead to upper single-digit to low double-digit total returns for the S&P 500. Reasonable price to earnings multiple of 18X puts the S&P 500 in the 2,200 to 2,300 range.

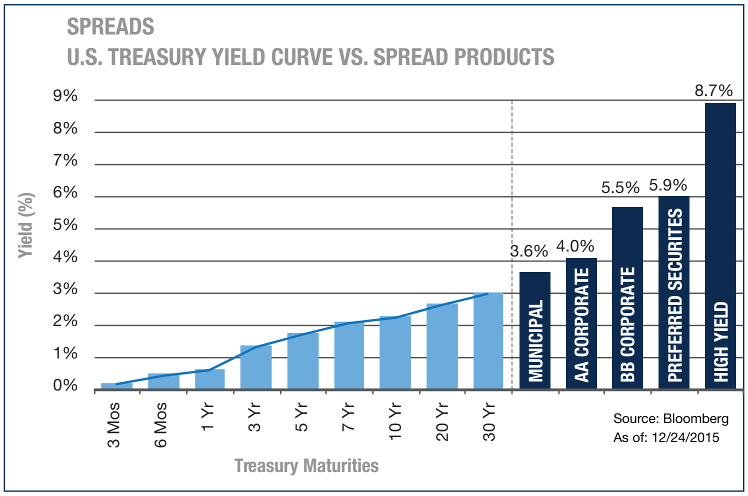
FIXED INCOME:

1. Relative value in U.S. sovereign debt – Rates on U.S. debt are high compared to many countries with similar credit ratings.

	FIVE-YEAR RATE	TEN-YEAR RATE
UNITED STATES	1.711%	2.220%
GERMANY	-0.085%	0.562%
ITALY	0.568%	1.539%
UNITED KINGDOM	1.278%	1.890%
JAPAN	0.014%	0.246%
HONG KONG	1.000%	1.488%

Source: Bloomberg As of: 01/04/2016

2. Opportunity in Various Fixed Income Classes – Spreads have recently widened in certain fixed income areas, presenting opportunity for income.



3. Divergent Global Monetary Policy – Different economies are traveling at different speeds, and central bank intervention is at an unprecedented level. 2015 saw 67 central bank interest-rate reductions; as the U.S. begins tightening, Europe continues easing.

Keys to successful investing in 2016 will be aligning allocation targets with goals, considering tactical opportunities throughout the year, and managing volatility and potential downside risk. As always, we welcome the opportunity to discuss these issues and any other components of your finances that you care to review.

From the Officefront

As noted in our January Market Letter, we rolled out our new client review structure earlier this year. For those of you whom we have been fortunate to meet and/or speak with, we hope this has been an improvement on our previous review format. We welcome all feedback and strive to make this a positive and easy experience for you.

I will be attending the 2016 Raymond James National Conference in Nashville later in April. Although I am excited to visit a new city, my strong attendance record at sessions throughout these conferences translates into usually not seeing much beyond our meeting space. This year I hope to gather some intelligent insight on where our financial markets stand – a topic on all of our minds. In addition, with this being a presidential election year, I expect there will be opportunities to see and hear from political minds too.

One additional note – although we have yet to "break ground", we expect to be going through an office remodel in our Aspen location soon. After 18 years with nothing more than a fresh coat of paint, it is time for some upgrades! It is likely we will be displaced for a bit, but we expect the transition to be seamless for you. We will be certain to keep you posted on any important information.

From the Homefront

Spring is indeed in the air, albeit a bit early for many of us this year. With that being said, there should still be a few good weeks of skiing left this season! Stella has made her way up to level 4 in the Aspen Valley Ski Club program. This translates to skiing any green circle trail (beginner) and blue square trail (intermediate) with solid technique, I might add. Lily and Hannah have been begging to join us, but at not-quite three years old, we will wait until next season.

In the meantime, we did get Hannah on horseback recently, at a local school fundraiser. "Welly" is about as tame as they come, and paced nicely enough to have Hannah ask for three additional rides. I see riding lessons for all three girls in our future…….

If you prefer to receive this newsletter via email, please notify us at jeff.sgroi@raymondjames.com.

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