



Portfolio Shift Commentary: January 22, 2016

As many leaders gather in Davos to discuss the issues in the world, we are starting to see them paint the picture for the world markets and global economies in 2016.

Comments from the head of the European Central Bank (ECB) have already influenced the markets. Mario Draghi commenting he is not afraid of more stimuli in the form of lower interest rates and the willingness to deploy what is necessary to keep the EU growing has helped to ease fears of a recession in Europe. The markets have also reacted favorably. The ECB meets in March to decide what measures are necessary. This information prompted us to step back into a European position hedged against the dollar with a low allocation to Great Britain after his comments on Thursday. Great Britain continues to negotiate its position within the EU and is an important trading partner, but it is threatening an exit if Britain cannot come to an agreement with regard to immigration benefits. The current mix of monetary stimulus, the end of fiscal austerity, cheap oil (Europe imports most of its energy) and low stock prices, high dividend yields are all compelling reasons to own European equity.

Khalid Al-Falih, the president of the giant Saudi oil producer Aramco, commented in Davos that they would continue to flood the global market with oil despite a 12 year low in Brent Crude prices. Fatih Birol, the head of the International Energy Agency stated that Iranians are likely to dump an extra 300,000 barrels a day on an already saturated market by March and rising to 500,000 barrels a day by the end of the year. We have seen two years of falling investment in oil with a slight increase every year in demand. Anyone who believes lower oil prices are the “new normal” may be surprised. We may see higher oil prices by our estimate in late 2017 or earlier if there is some unforeseen event in the Middle East.

The US Economy is still growing, although slower. The US economic growth slowed to 2.1% in the third quarter from 3.9% during the second quarter. Unemployment has fallen to 5%, its lowest level since the financial crisis. We will continue to monitor growth in the US and global economy and make changes as necessary.

Please feel free to contact us if you would like to discuss this or your portfolio during this very volatile market. If you would like to schedule a meeting or conference call please call Alexis Guilbeau, at 512-477-3110. We thank you for your support and welcome your calls.

Best Regards,

Teresa Finney, WMS, AIF®

Senior Vice President, Investments

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