TEXAS CAPITOL GROUP of RAYMOND JAMES

Portfolio Shift Commentary: April 13, 2016

"Beware of the Ides of March". Just when investors felt they had had enough of the equity market volatility and they increased their bond positions pushing yields down and bond prices higher, equities, the market rewarded patient investors with a very strong rally in March. Just as the Ides of March became the turning point in Roman history, March was the turning point in the sell-off experienced from January through February. Fears regarding a recession in the US abated, oil prices firmed up and central bank actions surprised on the dovish side. Equities, commodities and emerging markets rallied in March. Mario Draghi surprised the market by not only by lowering interest rates and expanding the monthly amount of the asset purchase program, but he also extended the asset base for the purchase program to corporate bonds and introduced other refinancing operations to help lower rates and add money to the economy. Janet Yellen left rates unchanged in March, as expected. The Fed is willing to fall slightly behind the curve when raising interest rates, but from a fundamental point of view, rates should rise this year.

In the past two months, we have correctly assumed recession fears were overdone and markets should recover once US data confirmed improvement in the economy. Appetite for risk assets was further boosted by the steep rise in crude oil prices and Federal Reserve hints that they are delaying further monetary policy tightening despite a rising core inflation rate in the developed world.

This election year is unusual in many ways to say the least, but history does give us guidance regarding past election years. History also confirms time in the market versus timing of the market will give investors a better return. The average return over time in an election year is 6.5% versus 7.9% from 1960 through 2012 based on Sam Stovall, U.S. equity strategist at S & P Capital IQ. Going back to 1948, in the fourth year of a presidential election cycle has seen the S & P 500, excluding dividends, gain an average of 6.1% versus a rise of 8.8% in all years.

As always, we thank you for your continued support and we welcome your calls to discuss your portfolio or any concerns during this period of market volatility.

Best Regards,

Teresa Finney, WMS, AIF®
Senior Vice President, Investments