Here's To Your Wealth
March, 2016

The Markets:

Were the wild stock market gyrations of the first quarter a lot of hullabaloo about nothing? In January and early February, we witnessed a dramatic drop in stock prices followed by a rapid recovery with significant market breadth (a wide amount of stocks participating.) At one point in mid-February, the S&P 500 was down over 11% and now it's basically flat for the year. So anyone who started out the year losing sleep or reallocating out of stocks may have been better off turning off the cable TV news.
The V-shaped recovery is not unusual in presidential election years. There is great uncertainty about the political outcome at the start of an election year, but the premium attached to stock prices begins to dissipate when that uncertainty is reduced and the political field narrows. While all the fluctuations cannot be attributable to politics, we have seen that pattern play out in this historic, entertaining presidential election year.

Adding to this volatility is the divergence in interest rates around the world. While the U.S. has embarked on a modest rate increase strategy, our major trading

Recognized by:

The Washington Post
as a Greater Washington DC Region Five Star Wealth Manager (2015)

The Financial Times
as one of the country's Top 401 Retirement Plan Advisor (2015)

Private Wealth Magazine
as a member of their Inaugural All-Star Research Team (2012)

Washington Business Journal
as one of Washington's Premier Wealth Advisors (2011, 2012, 2013, 2014)

NABCAP
as one of the Top Wealth Managers in the

partners have embarked on a negative interest rate policy. We are now the global leader in the positive interest rate policy camp while the European Central Bank and Japan are the main players in the negative interest rate policy camp. Policy divergences, which were prominent throughout the quarter, amplify the volatility of stock prices in both directions.

The other driver behind the stock market volatility has been oil prices. We have covered this at length so we will simply note that the stock market rebound also correlated with a rise in oil prices. There is still skepticism, however, that the rebound in oil is permanent. One indication of this doubt are the lagging bank stocks which reflect continued fears that oil patch debt could result in higher than expected loan charge-offs. These losses would certainly not be of the magnitude of those triggered by the housing crash of 2008, but they may be large enough to make investors wary.

Meanwhile, the US economy continues to grow at a slow pace which contributes to our low inflation environment. This means the Federal Reserve (Fed) doesn't need to move on raising interest rates any time soon. We have stated our doubt about the Fed's commitment to raise rates for a variety of economic - and, dare I say, political reasons - and we are sticking to that thesis. So for investors staying in cash hoping rates will rise and offer a more favorable entry point into bonds; you may want to make sure you have a comfortable chair to sit in while you wait.

Weekly Update for the Week Ending March 24, 2016

Index	Last Week			One Month		Year-to-Date	
	Close	Net Change	% Change	Net Change	% Change	Net Change	% Change
Dow Jones Global Index	302.08	-4.33	-1.41%	17.89	6.30%	-5.89	-1.91%
Dow Jones Industrial Average	17515.73	-86.57	-0.49%	1030.74	6.25%	90.70	0.52%
S&P 500 Index	2035.94	-13.64	-0.67%	106.14	5.50%	-8.00	-0.39%
Nasdaq Composite Index	4773.50	-22.15	-0.46%	230.89	5.08%	-233.91	-4.67%
S&P MidCap 400 Index	1413.86	-15.94	-1.11%	94.10	7.13%	15.28	1.09%
Russell 2000 Index	1079.54	-22.13	-2.01%	57.46	5.62%	-56.35	-4.96%
MSCI EAFE Index (EFA)	56.35	-1.15	-2.00%	2.90	5.43%	-2.37	-4.04%
MSCI Emerging Markets Index (EEM)	33.36	-0.67	-1.97%	3.10	10.24%	1.17	3.63%
BAML US High Yield Master II Index	1028.35	-7.14	-0.69%	58.10	5.99%	28.83	2.88%

Above returns exclude dividends.
Data Source: Investors FastTrack

For a complete report on all the indices, we recommend that you go to www.HanlonInvest.com and click on the Financial Professionals tab, then click on Index Performance Report on the left-hand side under the Resources section.

Washington, DC Metropolitan Region (2011, 2012, 2013, 2014)

SmartCEO Magazine
Magazine Money Manager Award Recipient Finalist, Washington, D.C. Metropolitan Region (2015)

Consumers' Research Council of America
as one of America's Top Financial Planners (2011, 2012, 2013, 2014)

DC Magazine
as a Five Star Wealth Manager, Washington, D.C. Metropolitan Region (2012)

SmartCEO Magazine
Magazine Top Wealth Manager, Washington, D.C. Metropolitan Region (2012)

Financial Advisor Magazine
as an All-Star Research Manager (2012)

Contact us to discuss recent changes to the Tax Laws.
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Quote of the Day:

Adversity is the first path to truth.

~~Lord Byron

Mark Avallone and the Potomac Wealth Advisors Team

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

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*The ***Dow Jones Global Indexes (DJGI)*** is a family of international equity indexes, including world, region, and country indexes and economic sector, market sector, industry-group, and subgroup indexes created by Dow Jones Indexes a unit of Dow Jones & Company best known for the Dow Jones Industrial Average.

The indexes are constructed and weighted using market value-weighted index. They provide 95 percent market capitalization coverage of developed markets and emerging markets. More than 3000 DJGI indexes provide data on more than 5500 companies around the world. Market capitalization is float-adjusted

*The ***DJIA*** is a widely followed measurement of the stock market. The average is comprised of 30 stocks that represent leading companies in major industries.

* The ***Standard & Poor's 500*** (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

*The ***NASDAQ*** Composite Index is a market-valued weighted index, which measures all securities listed on the NASDAQ stock market.

*The ***S&P Mid Cap 400 Index*** This Standard & Poor's index serves as a barometer for the U.S. mid-cap equities sector and is the most widely followed mid-cap index in existence. To be included in the index, a stock must have a total market capitalization that ranges from roughly $750 million to $3 billion dollars. Stocks in this index represent household names from all major industries including energy, technology, healthcare, financial and manufacturing.

*The ***Russell 2000 Index*** is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index
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* The ***MSCI EAFE*** Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. It is maintained by MSCI Barra,[1] a provider of investment decision support tools; the EAFE acronym stands for **Europe, Australasia and Far East.**

* The MSCI ***Emerging Markets Index***s a float-adjusted market capitalization index that consists of indices in 21 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

*The **Merrill Lynch US High Yield Master II Index** (H0A0) is a commonly used benchmark index for high yieldcorporatebonds. It is administered by Merrill Lynch . The Master II is a measure of the broad high yield market, unlike the Merrill Lynch BB/B Index\ which excludes lower-rated securities.

** Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.*

**The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.*

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