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Commentary

December 7, 2015

The Markets

Anyone looking at U.S. stock market performance last week might assume it was a pretty quiet week. They would be wrong. It was a very bouncy week. U.S. stock markets moved lower on Monday, rebounded on Tuesday, and then appeared to suffer a one-two punch mid-week that knocked indices lower.

On Wednesday, the benchmark U.S. oil price sank below $40 a barrel as supply continued to exceed demand, according to *The Wall Street Journal (WSJ).* Analysts had expected stockpiles of crude oil, gasoline, and other fuels to decline. Instead, stores increased to more than 1.3 billion barrels. The glut of fuel drove energy stock values down and energy stocks led the broader market lower, according to *WSJ*.

Performance did not improve on Thursday. In part, this was because the European Central Bank (ECB) underwhelmed markets when it delivered economic measures that were less stimulative than many had expected. The *Financial Times* reported the ECB reduced rates and pledged to extend quantitative easing for six additional months, but it did not increase the amount of its bond purchases, which disappointed investors. Stock markets in Europe and the United States lost value on the news.

On Friday, a strong jobs report restored investors' enthusiasm and markets regained losses suffered earlier in the week, according to *ABC News*. The Department of Labor announced 211,000 jobs were added in November, which was more than analysts had expected. Strong employment numbers made the possibility of a Federal Reserve rate hike seem more certain and investors welcomed certainty. The ECB jumped into the good-news pool on Friday, too, announcing it would expand stimulus measures, if necessary.

The Standard & Poor's 500, Dow Jones Industrial, and NASDAQ indices were all up for the week.

Data as of 12/4/15	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.1%	1.6%	1.0%	14.1%	11.3%	5.2%
Dow Jones Global ex-U.S.	-0.7	-5.4	-7.7	1.4	-0.2	1.0
10-year Treasury Note (Yield Only)	2.3	NA	2.3	1.6	2.9	4.6
Gold (per ounce)	2.1	-10.0	-10.7	-14.0	-5.3	7.9
Bloomberg Commodity Index	0.7	-21.7	-27.2	-16.9	-11.9	-7.3
DJ Equity All REIT Total Return Index	-1.2	1.0	2.2	11.1	11.7	7.1

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

IT'S THAT TIME OF THE YEAR. No, not the holidays. It's the time when investors begin to consider pundits' forecasts for the coming year. Here are a few of those forecasts:

"Flat is the new up," was the catch phrase for Goldman Sachs' analysts last August, and their outlook doesn't appear to have changed for the United States. In *Outlook 2016*, they predicted U.S. stocks will have limited upside next year and expressed concern that positive economic news may bring additional Fed tightening. Goldman expects global growth to stabilize during 2016 as emerging markets rebound, and Europe and Japan may experience improvement.

Jeremy Grantham of GMO, who is known for gloomy outlooks, is not concerned about the Federal Reserve raising rates, according to *Financial Times (FT). FT* quoted Grantham as saying, "We might have a wobbly few weeks…but I'm sure the Fed will stroke us like you wouldn't believe and the markets will settle down, and most probably go to a new high." Grantham expects the high to be followed by a low. He has been predicting global markets will experience a major decline in 2016 for a couple years, and he anticipates the downturn could be accompanied by global bankruptcies.

PWC's Trendsetter Barometer offered a business outlook after surveying corporate executives. After the third quarter of 2015, it found, "U.S. economic fundamentals remain strong, but markets and executives like predictability, and that's not what we've been getting lately… Trendsetter growth forecasts are down, so are plans for [capital expenditure] spending, hiring, and more. It doesn't help that we've entered a contentious 2016 election season..."

The Economist had this advice for investors who are reviewing economic forecasts, "Economic forecasting is an art, not a science. Of course, we have to make some guess. The average citizen would be well advised, however, to treat all forecasts with a bucket (not just a pinch) of salt."

Weekly Focus – Think About It

"Weather forecast for tonight: dark."

--George Carlin, American comedian

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
*Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* The Standard & Poor's 500 (S&P 500) is an unmanaged index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
* Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
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* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* You cannot invest directly in an index.
* Consult your financial professional before making any investment decision.
* Stock investing involves risk including loss of principal.

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