Here's To Your Wealth
January, 2016

The Markets:

Thus far in 2016, the U.S. stock market has been mostly in a downward trend. Many are emphasizing the decline in global growth, especially in China, and others point to the recent Federal Reserve rate hike as the culprit. While both of these may have had some impact, we feel the recent market moves are mostly related to the plunge in oil prices. While there has been slowing global demand for oil, the dramatic decline in price is mostly a supply issue. The U.S. has become a huge producer of oil. And it is believed that Saudi Arabia is stepping up production to hurt our growing shale industry and lower prices in advance of their rival Iran coming on line as a major global exporter of oil. This race for market share is part of what is driving supply up and prices down.

If the decline in the price of oil has indeed been the major driver in the decline of U.S. equity prices, then that would not, in and of itself, be a reason for a long term investor to be overly worried. Oil prices will more than likely level off at some point (I don't think they will go to zero!) and as the old expression goes "the cure for low oil prices are low oil prices." What this phrase tells us is that as prices fall below the cost to produce oil efficiently and profitably, marginal producers will reduce or stop production. This in turn lowers the supply of oil, and if we recall our economics 101 class, the lower

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

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as one of the Top Wealth Managers in the Washington, DC Metropolitan Region (2011, 2012, 2013, 2014)

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

the supply the higher the price (holding all else constant.) Therefore, the market mechanism of supply and demand should hopefully allow us to see a healthy price point - meaning at least firm oil prices.

To be sure, we are not rooting for a dramatic rise in the price of oil - this would negatively impact millions of consumers. Individuals and companies alike have benefited from lower energy prices, particularly at the gas pump; our hope is that prices stabilize so that the markets can assess the landscape without the fear of further declines. The fear relates to concerns about high yield bonds issued by the broader energy sector, bank lenders, and related industries such as parts suppliers. Once prices stabilize, we believe that low oil prices can be good for the stock market. The reasons are easy to see: (1), low oil prices leaves more money in the pockets of consumers, and (2), they lower operating costs for companies thereby helping their bottom-line earnings.

Recessions are often the cause of a bear market in stocks, and at this point we do not see a recession in the U.S. economic outlook. From a macroeconomic standpoint, we see the lower oil prices actually helping our economy. But first we have to move away from the fear that is gripping the market and production needs to taper.

Weekly Update for the Week Ending January 22, 2016

Index	Last Week			One Month		Year-to-Date	
	Close	Net Change	% Change	Net Change	% Change	Net Change	% Change
Dow Jones Global Index	283.19	2.36	0.84%	-22.57	-7.38%	-24.78	-8.05%
Dow Jones Industrial Average	16093.51	105.43	0.66%	-1323.76	-7.60%	-1331.52	-7.64%
S&P 500 Index	1906.90	26.57	1.41%	-132.07	-6.48%	-137.04	-6.70%
Nasdaq Composite Index	4591.18	102.76	2.29%	-409.93	-8.20%	-416.23	-8.31%
S&P MidCap 400 Index	1287.77	17.94	1.41%	-109.06	-7.81%	-110.81	-7.92%
Russell 2000 Index	1020.66	12.93	1.28%	-117.03	-10.29%	-115.23	-10.14%
MSCI EAFE Index (EFA)	54.48	1.22	2.29%	-4.07	-6.95%	-4.24	-7.22%
MSCI Emerging Markets Index (EEM)	29.33	0.87	3.06%	-3.33	-10.20%	-2.86	-8.88%
BAML US High Yield Master II Index	972.74	1.08	0.11%	-18.28	-1.84%	-26.78	-2.68%

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.

Quote of the Day:

"The mother of excess is not joy but joylessness."

(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)

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~~Friedrich Nietzsche

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.*

** Consult your financial professional before making any investment decision.*