



PATTERSON WEALTH MANAGEMENT

400 CHESTERFIELD CENTER, STE. 400
CHESTERFIELD, MO 63017

WWW.PATTERSONWEALTHMANAGEMENT.COM
JPATTERSON@PATTERSONWEALTHMANAGEMENT.COM

DIRECT: 636-537-7839
TOLL FREE: 866-405-9596
FAX: 636-532-6890
CELLULAR: 314-477-1686

January 4, 2016

Dow Jones Industrial Average: 17,425

2015 was Like a Long Run, but We Really Didn't Go Any Where

That is has to be the best analogy for 2015...the market last year was like running in place for 12 months: we worked hard, put in good effort, we may have made some money in small pockets of investing- but at the end of day, the overall market values didn't really go anywhere.

There were several crosscurrents that contributed to flat performance for the markets: the sharp decline in the China stock market, the 50%+ sell-off of the price of oil, the constant question of the normalizing of interest rates (raising interest rates), more turmoil in Greece, and the strengthening of the US Dollar on the multinational corporations (exchange rate risk) put downward pressure on the direction of the Dow 30 and the S&P 500 Index.

Here are some statistics for you to review (returns include dividends): *

Returns Through	<u>1 Week</u>	<u>YTD</u>	<u>1 Year</u>	<u>3 Year</u>	<u>5 Year</u>
12/31/15					
Dow Jones Industrials (TR)	-0.72	0.21	0.21	12.66	11.30
NASDAQ Composite (PR)	-0.81	5.73	5.73	18.37	13.55
S&P 500 (TR)	-0.80	1.38	1.38	15.13	12.57
Barclays US Agg Bond (TR)	-0.03	0.55	0.55	1.44	3.25
MSCI EAFE (TR)	-0.27	-0.81	-0.81	5.01	3.60

The NASDAQ did well for 2015, but if you look under the hood- it doesn't look quite as good as you would think. As of 11/30/2015, "According to Bespoke Investment Group, LLC, the top 1% (30 largest names) of the Russell 3000 Index are up 6.6% on average for 2015, while the bottom 99% are down an average of -3.2%...Gains are being driven by a select few companies that are up double digits or more this year: Microsoft, Alphabet (Google), General Electric, Facebook, Disney, Amazon, and Gilead Sciences." So, when you factor out the NASDAQ, and factor out the dividends, many indexes and stocks were negative for 2015. **

So, where do we go from here?

Now the Federal Reserve finally moving on the direction of interest rates- banks may offer an opportunity for growth. I remember watching the announcement of the raising of the interest rates on CNBC: within 30 minutes of the announcement of raising of the interest rates, almost of the major banks increased their lending rates. So, Financials should be a bright spot in the 2016.

Healthcare should continue to be a bright spot- companies in that sector have been able to generate consistent profits without a lot of “financial engineering” that some other industries have had to utilize to make their accounting look impressive.

With the energy sector falling as much as it did in 2015, the mid-cap index / companies should benefit from the lower transportation costs. Additionally, the Energy sector should not have the same overall pressure on the market as it did in 2015. It seemed that as oil fell for the day, so did the overall market- now that the oil market may be “close” to bottoming- I think that you will see a decoupling occur eventually in 2016.

A couple things to watch for in 2016:

- Volatility is not going to go away. Computer traders across the world are here to stay, and with that comes volatility in the markets. Unfortunately, that causes the values on statements to bounce. So, a word to the investor- don't get frustrated.

There is an individual stock that we can purchase that attempts to profits from the volatility, obviously, the value can go up and down based on the direction of the market and implied fear in the marketplace.

- Presidential Election politics will probably kick in during the 2nd half of the year. If the 2012 is the template for 2016, I am anticipating that the market gains for the year will be made in the first half of the year, and then come the summer- the market will down shift into more neutral / less risky investments. In 2012, the market waited until the calendar flipped over and to see who won and what policies were going to be high on the agenda- then January 2, 2013, the market took off like a rocket. So, I would not be surprised that the market shrugs off any initial sell-off in January, and we see the market move higher through March. Then, around June- the market levels off. And waits out the election.

Sources

* Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond and S&P, excluding “1 Week” returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.

** Balter Liquid Alternatives: November 2015. [Balter Long / Short Equity Fund Monthly Commentary: http://www.balterliquidalts.com/files/Balter_LS_Equity_Fund_Monthly_Commentary_November_2015.pdf](http://www.balterliquidalts.com/files/Balter_LS_Equity_Fund_Monthly_Commentary_November_2015.pdf)

The information contained herein is based on sources we believe to be reliable. But its accuracy is not guaranteed. Past performance is no guarantee of future results. The information provided herein was supplied in good faith based on information, which we believe, but do not guarantee, to be accurate or complete; however we are not responsible for errors or omissions that may occur.

The views expressed in this report are solely the opinions of Jeff Patterson / Patterson Wealth Management, and are not endorsed by Securities America Inc., or Pershing LLC.

NOT FDIC INSURED * NOT BANK GUARANTEED * MAY LOSE VALUE
Securities offered through Securities America, Inc., Member FINRA/SIPC, Jeff Patterson, Registered Representative. Advisory services offered through Securities America Advisors, Inc., Jeff Patterson, Financial Advisor. Patterson Wealth Management and the Securities America companies are unaffiliated.