



Planning, Implementation, Success

Here's To Your Wealth April, 2016

The Markets:

Have you seen the 35% rally? Typically a monstrous 35% price movement in just over three months would grab major headlines if it was for stock prices or even interest rates. But this price movement in oil prices hasn't created a lot of buzz. While there may not be front page headlines on this move, you can be sure that the financial markets have noticed.

We have been believers in the correlation between energy prices and prices of risk assets (like stocks) for some time and we are now seeing that play out. After being down double digits in percentage terms earlier this year, most major stock market indices except for the NASDAQ, are now in positive territory for the year. It is also visible in the high yield bond market which, after an anemic 2015 performance is now up strongly for the year (see table below).

Is there a downside to higher oil prices? For consumers there can be more



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[The Washington Post](#)
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as a member of their Inaugural
All-Star Research Team (2012)

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pain at the pump as retail prices increase. Since the February lows of about \$1.84 per gallon they have risen, according to a recent Lundberg survey, to about \$2.18 per gallon. And while this is a percentage move of almost 20 percent, gasoline just doesn't feel very expensive - at least not by historical standards. Many consumers still have hundreds - even thousands - of dollars more in discretionary income this year due to the low prices at the pump. And that will continue to buttress the stock market. But make no mistake, this is a volatile commodity and if prices fall back to the high \$20 per barrel range, we may witness another downward move in stocks. If they rise much more, it could help give the Fed another reason to raise interest rates. Perhaps the best outcome is if they stabilize, and corporate earnings can return as the primary valuation metric for stock prices.

With all the political noise, news of terrorist attacks, and these wide swings in commodity prices, what is often forgotten is that corporate earnings are the biggest long-term driver of stock market prices. If earnings can regain center stage we believe we will see signs of a healthy economy and reasonable stock market valuations.

Weekly Update for the Week Ending April 22, 2016

Index	Last Week			One Month		Year-to-Date	
	Close	Net Change	% Change	Net Change	% Change	Net Change	% Change
Dow Jones Global Index	313.99	2.44	0.78%	7.68	2.51%	6.02	1.95%
Dow Jones Industrial Average	18003.75	106.29	0.59%	421.18	2.40%	578.72	3.32%
S&P 500 Index	2091.58	10.85	0.52%	41.78	2.04%	47.64	2.33%
Nasdaq Composite Index	4906.23	-31.98	-0.65%	84.57	1.75%	-101.18	-2.02%
S&P MidCap 400 Index	1477.05	12.28	0.84%	47.12	3.30%	78.47	5.61%
Russell 2000 Index	1146.69	15.77	1.39%	49.35	4.50%	10.80	0.95%
MSCI EAFE Index (EFA)	59.54	1.24	2.13%	2.23	3.89%	0.82	1.40%
MSCI Emerging Markets Index (EEM)	34.54	-0.03	-0.09%	0.52	1.53%	2.35	7.30%
BAML US High Yield Master II Index	1064.87	11.87	1.13%	28.87	2.79%	65.35	6.54%

Above returns exclude dividends.
Data Source: Investors FastTrack

Quote of the Day:

"In investing, what is comfortable is rarely profitable." - Robert Arnott

NABCAP

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 (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.

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.

Potomac Wealth Advisors, LLC
15245 Shady Grove Road, Suite 410
Rockville, MD 20850

Phone: 301-279-2221

Fax: 301-279-2230

Email: clientservices@potomacwealth.com

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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.

email us at

ClientServices@PotomacWealth.com



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

* 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** 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 yield corporate bonds. 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.

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