



**BEAM Asset Management**

F&IMA, Inc.  
 Scott Bordelon, CFP®, AAMS®  
 President  
 P.O. Box 1723  
 Covington, LA 70434-1723  
 800-256-5221  
 FAX (985) 893-1450  
 sbordelon@fimadvisors.com  
 www.fimadvisors.com

## Quarterly Market Review: January-March 2016

Dear Clients and Friends,

We are happy to enclose your 1st quarter 2016 investment performance report for the period ending on March 31, 2016. Equity markets did not give investors any time to get comfortable in 2016.

### The Markets (as of market close March 31, 2016)

The first quarter of 2016 started with a whimper as equities suffered several weeks of losses. After only six weeks, the S&P 500 had corrected 13.3% from November highs and was down more than 10% for the year on February 11th. Markets suffered from a steady drumbeat of negative news related to China's demise, falling commodity prices, and the possibility of a U.S. recession. Additional toxic ingredients included uncertainty surrounding the Fed, speculation on the negative effects of energy defaults on banks, unusual currency volatility and large sell-offs in high-flying growth stocks that investors fell in love with in 2015. As history has shown over time, market volatility is the price of admission and often creates more opportunities than it takes away.

Moreover, as March came to a close, several of the indexes listed here recovered enough to finish the quarter in positive territory. The Dow picked up 260 points to close 1.49% ahead of its fourth-quarter closing value. The S&P 500 also finished the first quarter slightly better than it ended the previous quarter. However, the NASDAQ, Russell 2000, and Global Dow each ended the quarter behind their respective December 2015 closing values. March proved to be a good month for equities, as each of the indexes listed here yielded positive returns, led by the Dow and the Russell 2000, each of which gained more than 7.0% over February.

The debt side of the ledger also produced a mixed bag of revolving returns as 10-year Treasury yields fell to their lowest end-of-quarter levels since the fourth quarter of 2012. Yields on long-term Treasuries opened the quarter at around 2.25%, but ended it at 1.79% as money moved in, driving prices higher and yields lower.

Gold was a winner in the first quarter, moving from \$1,060 at the beginning of the quarter to over \$1,233 by March 31--a gain of over 16% for the quarter. Crude oil (WTI), on the other hand, began the quarter selling at around \$37 per barrel, then fell to under \$30 per barrel by mid-January, only to rise to close to \$40 per barrel by mid-March, ultimately closing the quarter at \$37.49 per barrel as of the 31st.

Market/Index	2015 Close	As of March 31	Month Change	Quarter Change	YTD Change
DJIA	17425.03	17685.09	7.08%	1.49%	1.49%
NASDAQ	5007.41	4869.85	6.84%	-2.75%	-2.75%
S&P 500	2043.94	2059.74	6.60%	0.77%	0.77%
Russell 2000	1135.89	1114.03	7.75%	-1.92%	-1.92%
Global Dow	2336.45	2307.34	6.88%	-1.25%	-1.25%
Fed. Funds	0.25%-0.50%	0.25%-0.50%	0 bps	0 bps	0 bps
10-year Treas.	2.26%	1.79%	6 bps	-47 bps	-47 bps

Chart reflects price changes, not total return. Because it does not include dividends or splits, it should not be used to benchmark performance of specific investments.





## The Quarter in Review

- **Employment:** The employment sector remained strong with 215,000 new jobs added in March compared with 262,000 at the end of the fourth quarter 2015. The unemployment rate remained at 5.0% in March. There were 8 million unemployed persons in at the end of the first quarter, while the labor force participation rate increased slightly to 63.0% from 62.6% at the end of the fourth quarter. According to the latest figures from the Bureau of Labor Statistics, the average work week decreased to 34.4 hours from December's average of 34.5 hours. Average hourly earnings rose to \$25.43.
- **FOMC/interest rates:** At both its January and March meetings (it did not meet in February), the Federal open Market Committee determined that overall economic conditions were not sufficiently improved to justify a further interest rate hike. The last time the Fed increased rates was December, when the Committee raised the target range for the federal funds rate to 0.25%-0.50%. In support of its decision to maintain interest rates at their present level, the FOMC noted that strong labor market conditions, improvement in the housing sector, and increased household and business spending were offset by slowing economic growth, soft exports, and low inflation, which is continuing to run below the Committee's target rate of 2.0%.
- **Oil:** Oil prices rebounded a bit during the first quarter, although prices remain volatile and relatively low. At the end of March, crude oil (WTI) was selling at \$37.49 per barrel compared to December's closing price of \$37.07 per barrel. The national average retail regular gasoline price increased during the first quarter of 2016, selling at \$2.066 per gallon on March 28, 2016, \$0.032 above the December 28 price of \$2.034.
- **GDP/budget:** The fourth quarter 2015 gross domestic product grew at an annualized rate of 1.4%, according to the third estimate of the Bureau of Economic Analysis. This is behind the third quarter's 2.0% growth rate and the 3.9% second quarter rate. As to the federal government's budget, figures can fluctuate significantly from month to month, depending on the timing of payments and outlays. So it's not surprising that the Treasury reported a \$192.6 billion budget deficit for February, following January's \$55 billion budget surplus. The deficit for fiscal 2016 (October through February) is \$353 billion (\$386.6 billion for the same period in 2015). Compared to the first five months of fiscal 2015, government receipts are up 5.3%, while outlays are also up 1.86%.
- **Inflation:** Inflation continues to run below the Fed's target rate of 2.0%. In February, personal income (pretax earnings) and disposable personal income (income less taxes) each rose 0.2%, according to the latest report from the Bureau of Economic Analysis. Personal spending increased only 0.1%. An inflationary indicator of special interest to the Fed, core personal consumption expenditures (personal spending excluding volatile food and energy costs) rose 0.1% in February from the prior month, and is up 1.7% from a year earlier--still short of the Fed's inflation target rate of 2.0%. The Producer Price Index, which measures the prices companies receive for goods and services, decreased 0.2% in February. For the 12 months ended February 2016, final demand prices for all categories of goods and services remained unchanged. However, over the same period, prices (less food, energy, and trade services) rose 0.9%--the largest 12-month advance since July 2015. Overall, the Consumer Price Index declined 0.2% for February. However, year-on-year, the Consumer Price Index has increased 1.0%. Retail sales were down 0.1% in February over the prior month, but are 3.1% ahead of February 2015.
- **Housing:** The housing market, which has been a strong sector of the economy, may be showing signs of slowing in the first quarter. Sales of existing homes were down 7.1% in February at an annualized rate of 5.08 million, compared to 5.46 million at the end of the fourth quarter. According to the latest report from the National Association of Realtors®, year-on-year sales growth of existing homes is up 2.2%. On the other hand, the median sales price for existing homes was \$210,800--a drop of 5.9% from the median price for existing homes in the fourth quarter (\$223,200 in December). The latest figures from the Census Bureau show that the 512,000 annual rate of sales of new single-family homes in February was 6.25% below December's revised rate of 544,000. The median sales price of new houses sold in February was \$301,400, while the average sales price was \$348,900.
- **Manufacturing:** Manufacturing and industrial production have been relatively weak economic sectors. The Federal Reserve's monthly index of industrial production (factories, mines, and utilities) fell 0.5% in February following an 0.8% increase in January. More specifically, manufacturing production increased 0.2% in February, and is up 1.8% over the last 12 months. Nevertheless, factory production has been hindered by weak exports and low demand for energy equipment. In addition, the latest report from the Census Bureau shows new orders for all durable goods (expected to last at least three years) fell 2.8% in February from January's revised figures. Excluding the volatile transportation segment, new orders fell a disappointing 1.0%.
- **Imports and exports:** International trade in goods showed favorable movement in February as imports were up 1.6% (\$181,562 billion), while exports increased 2.0% (\$118,698 billion). The difference between the cost of imports and exports increased to \$62.9 billion, up slightly from January's revised difference of \$62.4 billion. The prices for U.S. imports (goods bought here but produced abroad) fell 0.3% in February following a 1.0% drop in January. The prices for exports dropped 0.4%. Year-on-year, import prices are down 6.1% and export prices have fallen 6.0%.
- **International markets:** The health of China's financial system remains a concern, with large blocks of capital leaving the country on a regular basis. The European Central Bank initiated additional stimulus moves intended to spur the eurozone's economy--and it may be working as economic activity picked up in March, at least according to the latest survey of purchasing managers. However, inflation remains at historically low levels and exports continue to hinder sales.
- **Consumer sentiment:** Consumer confidence seems to have picked up during the first quarter. The Conference Board Consumer Confidence Index® for March rose to 96.2 following February's index reading of 94.0. Consumers expressed favorable views on the labor market and business conditions, but remained concerned with the overall economic outlook.



## Eye on the Month Ahead

Economic trends may be more evident as information provided in April will shed more light on the economy and markets. Also, the FOMC meets again in April when it will once again consider whether economic conditions warrant raising interest rates for the first time in 2016.

## Bottom Line

As the calendar turned over to 2016, investors focused attentively on negative news stories which lead to a rise in investor anxieties and a very uncomfortable first six weeks of the year. From the February lows, the market proceeded to turn on a dime and a snapback equity rally tied to rising oil prices and improving sentiment followed. In our view, however, the negative headlines were overstated, as the U.S. has the ability to weather the perceived risks lingering in the marketplace and the consumer sector is the healthiest it has been in years. Undoubtedly, we anticipated that 2016 was not going to be without challenges, but the U.S. economy remains in a slow and steady state of improvement behind a strong labor market, improving wages, and a resilient U.S. consumer. All of these factors will continue to provide modest improvements for investors. Please check your current account values and recent quarter to date performance in your BEAM Orion client portal hopefully for a pleasant surprise.

Please contact your advisor to discuss your investment portfolio and financial planning. If you believe your circumstances have changed, please contact your advisor for a review and to assess what changes we should make to your client profile. We should plan to meet at least once a year to in person, by telephone or web meeting to review your client profile, your financial planning and review your investments. Our team is here to assist you in any way we can. Our mission is to help you navigate markets, tax law changes and options assisting you in reaching your goals and objectives.

Should you need assistance accessing your BEAM Orion client portal for current account values and recent quarter to date performance, please contact your advisor or their staff.

As always, we are honored and humbled that you have entrusted our team with your financial future. We truly appreciate the opportunity to serve as your investment advisory firm and your financial advisor.

I hope this finds you and your family well as we continue to monitor your portfolio, make necessary changes, and seek out attractive investment opportunities, while remaining watchful of the risks. You may see changes to your investment accounts as we make changes to your account positions during the 2<sup>nd</sup> quarter to reallocate investments based on updated professional research and analysis. I encourage you to contact your advisor if you have questions, concerns or would like to schedule an appointment.

Sincerely,

Scott E. Bordelon, CFP®, AAMS®  
President

*Data sources: Economic: Based on data from U.S. Bureau of Labor Statistics (unemployment, inflation); U.S. Department of Commerce (GDP, corporate profits, retail sales, housing); S&P/Case-Shiller 20-City Composite Index (home prices); Institute for Supply Management (manufacturing/services). Performance: Based on data reported in WSJ Market Data Center (indexes); U.S. Treasury (Treasury yields); U.S. Energy Information Administration/Bloomberg.com Market Data (oil spot price, WTI Cushing, OK); www.goldprice.org (spot gold/silver); Oanda/FX Street (currency exchange rates). News items are based on reports from multiple commonly available international news sources (i.e. wire services) and are independently verified when necessary with secondary sources such as government agencies, corporate press releases, or trade organizations. All information is based on sources deemed reliable, but no warranty or guarantee is made as to its accuracy or completeness. Neither the information nor any opinion expressed herein constitutes a solicitation for the purchase or sale of any securities, and should not be relied on as financial advice. Past performance is no guarantee of future results. All investing involves risk, including the potential loss of principal, and there can be no guarantee that any investing strategy will be successful.*

*The Dow Jones Industrial Average (DJIA) is a price-weighted index composed of 30 widely traded blue-chip U.S. common stocks. The S&P 500 is a market-cap weighted index composed of the common stocks of 500 leading companies in leading industries of the U.S. economy. The NASDAQ Composite Index is a market-value weighted index of all common stocks listed on the NASDAQ stock exchange. The Russell 2000 is a market-cap weighted index composed of 2,000 U.S. small-cap common stocks. The Global Dow is an equally weighted index of 150 widely traded blue-chip common stocks worldwide. The U.S. Dollar Index is a geometrically weighted index of the value of the U.S. dollar relative to six foreign currencies. Market indices listed are unmanaged and are not available for direct investment. Information contained in this newsletter been prepared in part by separate entities, Broadridge Investor Communication Solutions, Inc. and Ladenburg Thalmann Asset Management Inc. a registered investment advisor and subsidiary of Ladenburg Thalmann Financial Services Inc.*



---

Investment Advice offered through Financial & Investment Management Advisors, Inc. dba BEAM Asset Management, an SEC Registered Investment Advisory Firm. Securities offered through Securities America, Inc. member of FINRA/SIPC. Financial & Investment Management Advisors, Inc. dba BEAM Asset Management and Securities America, Inc. are separate entities.

This newsletter should not be considered as providing tax or legal advice, while tax and legal matters are often discussed. This information has been provided from sources and data believed to be reliable but is not guaranteed by your advisor, Financial & Investment Management Advisors, Inc. dba BEAM Asset Management or Securities America, Inc. This newsletter is provided by Financial & Investment Management Advisors, Inc. dba BEAM Asset Management, and should not be construed as investment or tax advice. For specific advice, please contact us for an appointment.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) or investment strategy that may be appropriate for you, consult your financial adviser prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

