



POINT VIEW WEALTH MANAGEMENT

Peapack Private Wealth Management

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TO: **POINT VIEW CLIENTS**
FROM: **David G. Dietze, JD, CFA, CFP™ Founder and President**

I. 2016 First Quarter Performance

- It was a tale of two markets, with the markets experiencing a year's worth of volatility in just 90 days. Market prices plunged in the beginning, setting off the worst January since 2009. That was enough for the media to scare investors by citing the "January effect;" adherents admonish that a bad January presages a bad year, but of course offer no reason why that would be true or regularly repeat.

MARKET DATA	03/31/15 03/31/16	First Quarter
S&P 500 (dividends reinvested)	1.78%	1.35%
NASDAQ (dividends reinvested)	0.54%	-2.43%
60/40 S&P 500 / TX-EXEMPT SECURITIES BLEND	2.92%	1.58%
DOW JONES INDUSTRIALS (dividends reinvested)	2.01%	2.17%
INTERNATIONAL STOCKS (MSCI EAFE IX ID)	-10.68%	-3.74%
TAXABLE BONDS (Barclay's 1-3 Yr Gov't/Credit)	1.05%	0.98%
TAX-EXEMPT SECURITIES (Barclay's Muni Index)	3.98%	1.67%

- With markets down by double-digit percentages, markets reversed course on February 11, led by the much maligned oil market. Crude prices proceeded to rise 50% as the Dollar weakened, and investors raced back into risk assets. Those who rebalanced back into equities at that point of maximum weakness and pessimism fared best.
- Our Federal Reserve exacerbated the volatility. In December, goaded by pundits who believed monetary policy should be "normalized" in short order, it raised rates for the first time in nearly 9 years, indicating that four more hikes could be expected in 2016. However, with inflation a no show, global economies in turmoil, overseas monetary authorities pursuing divergent strategies, and concerns over a US recession, our Fed's action produced volatility and fear. By March the Fed changed its tone, indicating a more cautious global outlook would limit 2016 interest rate hikes to at most two.

- Q1 was a perfect example of why you want to be skeptical of “what everyone knows.” At the start of the year, investors were sure that interest rates and the Dollar would rise, but a lack of inflation would depress commodities, including oil and gold. By the end of the quarter, rates had fallen, allowing fixed income (Barclays Aggregate) to return 3%, outperforming stocks, as did commodities (+4.1%), oil (+3.5%), and gold (+16%).
- In terms of outperformers, utilities and telecoms were strong, as investors fled to safety and yield. **Verizon** scored an 18% gain, the biggest on the Dow, while electricity producer **Exelon** rocketed 30%. Large capitalization stocks continued to outperform small caps, as investors continued to rein in their appetite for risk. The small cap index (Russell 2000) eased 1.52% in Q1.
- Healthcare was the worst sector, down 13%, as the presidential races refocused investors on the risk of price controls and other regulatory tactics to break run away medical costs. **Pfizer** and biotech favorite **Celgene** each fell 7%.
- Financial stocks faced a triple whammy of recession threats, concerns over non-performing energy loans, and low interest rates weighing on loan pricing. **Bank of America** eased 19% in Q1, while **JP Morgan** and **Wells Fargo** were both down 10%.
- The drop in the price of oil started a brief crisis of confidence within the fixed income markets. With 11% of the high yield market tied to energy companies, investors feared that the pervasive drop in oil prices would lead to a massive wave of credit defaults, crimping the banking sector, and start a credit freeze. Investors piled into the highest quality bonds. Oil eventually rallied and with it the lowest credit quality bonds as market jitters eased.

PREVAILING YIELDS AS OF:

FIXED INCOME ASSET	03/31/15	06/30/15	09/30/15	12/31/15	03/31/16
US Government 10 Yr. Note	1.93%	2.33%	2.06%	2.27%	1.78%
5-Year Certificate of Deposit	0.87%	0.86%	0.86%	0.85%	0.83%
Money Market	0.00%	0.00%	0.01%	0.00%	0.06%

II. Looking Forward

While there are a number of headwinds, we remain unabashedly bullish. Stocks may be fully valued, but they remain cheap relative to fixed income. You have to go back to 1958 for a period when stock dividends exceeded the yield on Treasuries. While corporate profits are under pressure, less Dollar strength and more muscular energy prices will help.

III. Enclosures

The enclosed shows the recent performance of all of your Fidelity accounts (if under management for more than 3 months and fully invested by Point View), your investment advisory invoice, and our annual privacy policy. Our updated ADV Part II is available for review on our website. Please contact Claire Toth if you or your accountant has any questions.