



THE Investment Insights

Brought to you by Gary Goldberg Financial Services

April 2016 Issue

March Recap

The Quarter in Review

In the future, a business school looking to teach a lesson on market volatility could do worse than to use the first quarter of 2016 as its case study. The past three months were the definition of an uncertain market, with major indexes seeing huge swings on nearly a daily basis. While major indexes are currently near record levels, the year began with what was literally the worst start to a new year in history. The S&P 500 quickly suffered its second correction in less than a year, even as the economy generated strong jobs growth on a monthly basis.

There were two primary reasons that markets suffered such weakness in the first quarter. The first was slowing growth in China, which investors were worried would weigh on the global economy. For the most part, these concerns were overblown: the decline on Wall Street more than compensated for the direct exposure U.S. companies have to the region.

Oil was the second major factor. As the commodity sank to multi-year lows and showed few signs of stabilization, investors began to worry that oil's weakness could presage a broader economic slowdown. For a time, many prominent investors raised the specter of a recession.

We were never in that camp. While the market declines were cause for concern, we kept our heads and looked for opportunities, following our slogan – "optimistic by nature, defensive by strategy" – to the letter. We were ready to take any necessary action to protect your wealth, but also knew there was a strong base supporting the economy. Given that backdrop, we knew there was no reason to panic, especially since we had reduced our exposure to the energy sector before the worst of the price declines.

That strategy proved correct. Oil prices stabilized in the middle of the quarter, while there were numerous signs of strong economic fundamentals, particularly in the labor and housing markets. That led to a sharp recovery, with all of the year's early losses being erased. As we go forward, the market's long-term uptrend remains intact.

Looking Ahead

The primary issue facing investors right now is central bank policy. In short, how many interest rate increases should we expect from the Federal Reserve over the coming years? What kind of accommodative policies will be adopted by the Fed's counterpart overseas? Will any of those policies be phased out?

We're expecting at least two rate increases this year, but think it's unlikely that we'll see any beyond that. Short-term interest rates will likely rise, though longer-term ones should remain relatively low.

Right now the U.S. economy looks strong, though there continue to be questions about overseas markets – China in particular. We don't expect a "hard landing" there – meaning the odds of China causing a recession here are pretty much zero – but that divergence could keep volatility elevated. Despite hovering near records, the market remains extremely touchy to issues like China and oil, while the prospect of further tragedies like what happened in Brussels is another thing that cannot be ignored.



Gary Goldberg Financial Services Strategic Investment Committee

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The U.S. stock market continues to offer the best opportunities, in our view, though investors need to be selective, as some sectors, like energy and financials, still look a bit risky. We continue to favor high-quality dividend paying stocks, and companies that grow both their revenue and their market share. Especially for investors with long time horizons, the outlook for those is very bright; any market dips should be used as an opportunity to add to positions.

Corporate News

The first quarter of 2016 was exciting for investors as well as for the GGFS staff, as we welcomed nearly 1,000 of you at our annual client breakfasts to listen to the five-member Investment Committee discuss the market turmoil and economic outlook. With summer rapidly approaching, we are busy planning for our annual golf outing (6/14/16), Rye Playland Event (7/22/16) and Hudson Renegades Baseball game (8/24/16). While these are still a ways away, early planning has become necessary as a result of the overwhelming popularity of all of these events. Moreover, our Event Planning Coordinator, Jessica T. is expecting her first child in early May. Coincidentally, Jessica W., who works in our operations area, is also expecting her first child in late May. We're very excited for both of them and look forward to the additions to the extended GGFS family.

Sincerely,

The Gary Goldberg Financial Services Strategic Investment Committee
Optimistic by Nature, Defensive by Strategy

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Election outcome won't matter to markets

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