



THE Investment Insights

Brought to you by Gary Goldberg Financial Services

January 2016 Issue

The Quarter in Review:

In some respects, the third quarter of 2015 didn't really begin until early November, when the October payroll report was released and immediately changed the tone on Wall Street.

The report came in much stronger than anticipated – with an upside surprise of nearly 100,000 jobs – which reflected the good news from the labor market. It was such good news, in fact, that investors realized the accommodative environment they had been enjoying for many years could be about to end. The Federal Reserve, which has been heavily involved in stabilizing markets since the Financial Crisis, has been saying for years that its market-supporting policies were all “data dependent.” That is, once economic data showed the economy was strong enough to no longer need outside assistance, the assistance would be phased out.

Rates have been at record lows since the Financial Crisis, and a lot of market participants – including us – expected this to be the case until at least early 2016. The jobs report, which was followed by another strong one in November, caused a lot of traders to push up their timelines to late 2015, which caused a lot of volatility in the markets. Even though higher rates are a sign of confidence in the economy on the Fed's part, it's a sign of confidence that many investors were wary of, given broader questions about global growth prospects. This story culminated in mid-December, when the Fed did indeed raise rates, ever so slightly.

Now, despite the volatility that marked the fourth quarter, the move is ultimately not a big deal for markets. Rates remain low and they should remain low for a very long time. From a global perspective, central bank policies remain accommodative, and U.S. investors shouldn't fear a rapid series of hikes. Fed changes from here will be both small and gradual, meaning the market's general uptrend remains very much intact.

Looking Ahead:

With the first rate hike behind us, on the heels of a strengthening economy, market participants will now turn their attention to the fourth quarter earnings season which will kick off in mid-January. In our view, 2015 was a “reset year” where valuations were questions, growth assumptions were reassessed and investors took on a more sober tone as most recognized that ultra-low interest rates can only help so much before they become a hindrance. Market sentiment and action doesn't shift as the calendar rolls over to a new year, so investors should initially expect a similar environment to 2015 with the following trends to persist through most of the year.

- Consumer spending driven growth
- Rolling Storms – China, Currency, Russia, Terrorism, Interest Rates, what's next???
- Performance Divergence – DOW, NASDAQ, S&P 500, Central Banks

As the Fed continues its path toward normalization, short term interest rates will likely rise, but longer term rates will likely remain relatively low. Investors should understand that QE (quantitative easing) is an experiment that is still in the early stages. And while the ‘easy money’ policy should have inflationary consequences, there are real reasons why this hasn't occurred. Economies are bias towards inflation, but technology and efficiencies are putting deflationary pressures on produced good – as such we expect service costs to rise while the cost of produced goods will likely fall. This dynamic is likely to have a lasting impact on commodities.

From an international perspective, we believe China will likely be okay, and do not expect a hard landing that could create a global recession. Conversely, Latin America is much more of a problem, while Europe is somewhat neutral – relatively flat in terms of growth and outlook. U.S markets remain the most attractive on a risk / reward basis. However, investors will need to be



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selective in finding opportunities, which will require increased agility. We continue to like names that grow revenue faster than their peers, expand their market share and have strong and growing dividends. Many multi-national companies look well positioned in the current environment, as the recent declines have created discounts that make them look even more attractive.

In Corporate News:

It's been a wonderful year for all of us at Gary Goldberg Financial Services. In addition to hiring several new Investment Consultants and a research analyst, we are also expanding our footprint by expanding our presence in Danbury, CT. On a more personal note, Amit Chopra and his wife had their second child this year and several colleagues are expecting the birth of their first early in 2016. Tyler Palumbo received his Certified Financial Planner certification and Michael Valenti passed the second level of the CFA exam, possibly the industry's most difficult and highly regarded accreditation. Our events at the Fishkill Renegades and Rye Playland brought more of you together for a family fun filled day than ever before – over 500 people at each event. Our marketing and event staff is already busy planning the events for next summer, stay tuned!

Sincerely,

The Gary Goldberg Financial Services Strategic Investment Committee
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MarketWatch.com 12/21/15

The Market in a Minute: Oh, market rally, where art thou?

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MarketWatch.com 12/14/15

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