

## **January 2016 Market & Portfolio Comments:**

2016 has started off as the worst year in over 100 years. Across the equity portion of portfolios we entered the year with approximately 50% in cash and have raised some additional cash since the start of the year. Following is a brief synopsis of current market conditions.

In our opinion the biggest overarching concern right now is the impact of a strong dollar and what that means for the market. A strong dollar is strongly correlated with lower energy prices and thus continued weakness in the energy markets and the ripple implications to the equity markets. Secondly, a strong dollar creates headwinds for the earnings of large US multinational corporations that do business overseas. Third the strong dollar via lower energy prices, and lower import prices creates deflationary expectations in the US economy, thus sparking fears of a recession, which is not being reflected in current economic numbers, but expectations can and do cause changes in the future economic numbers.

We think that when the current market correction is over there will be some excellent opportunities as stock prices on a relative valuation will be the cheapest they have been in the last 5 years, however patience is necessary in the short term as we wait for that opportunity. We would feel better about the market if we could see true capitulation in both the energy and equity markets. Other positive signs would be a reprieve in the rise of the dollar and for the difference in long term and short term rates to stop declining and spreads to widen out.

If you have any questions regarding the market, your portfolio or any other questions please feel free to contact us.