EMERALD
ASSET ADVISORS, LLC

Investment Strategists for
Successful Families

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Thank you for reading GreenThought$. It is our privilege to provide you with our insight on current financial market events and our outlook on topics relevant to you.

First Quarter 2016: Investment Market Summary

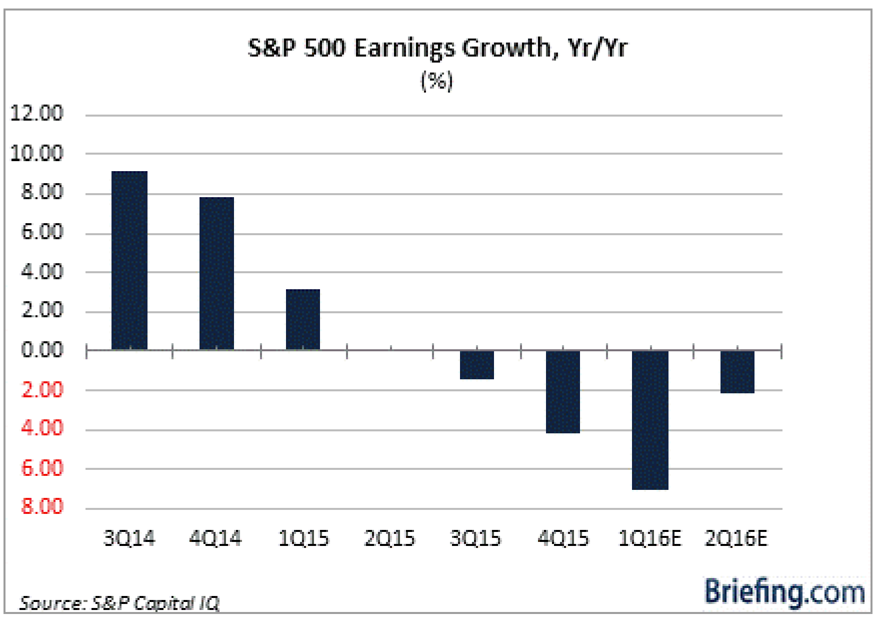
We all know the adage that a picture is worth a thousand words. In the first quarter of 2016 the Russell 3000, a broad measure of U.S. stock market performance, was up 1%. If you had been asleep from 12/31/15 through 3/31/16 and found out the stock market had gained 1% you would have assumed that you hadn't missed anything. The picture below tells a different story.

This is a chart of an exchange traded fund, IWV that tracks the performance of the Russell 3000, a broad measure of U.S. stocks. When IWV hit its low for the quarter on February 11th, it was down 11.3%. And that number looked good to small cap investors, whose benchmark, the Russell 2000, was down 15.9%. The " gloom and doomers were out in full force, and investors were understandably nervous. For example, Royal Bank of Scotland advised investors on January 12th to sell everything and move to cash. From February 12th through quarter end, the markets turned sharply higher. The S&P 500 large cap index finished the quarter up 1.3%, the Russell 2000 small cap index was down 1.5%, and the MSCI EAFE international index was down 3%. The Barclay's U.S. Aggregate, the domestic bond market index, was up 3% and the Bloomberg commodity index was up .4%.

On the positive side, the markets absorbed a tremendous amount of negative news in 2015 without suffering significant losses, although the volatility experienced along the way was uncomfortable to many.

Also on the positive side, Janet Yellen, Chair of the Board of Governors of the Federal Reserve System, has indicated that the Federal Reserve is in no hurry to raise interest rates. U.S. employment growth is strong, with the most recent release on April 1 showed non-farm payrolls adding 215,000 jobs versus an expected increase of 205,000, and the unemployment rate at 5%. And in a positive surprise, the Institute for Supply Management (ISM) reported on the same day that the manufacturing index was reported at 51.8, the first sign of expansion in the manufacturing sector in six months.

On the negative side, corporate earnings continue to be challenged.



According to S&P Capital IQ, aggregate fourth quarter earnings are down 4.2% year over year and first quarter earnings are projected to decline 7% year over year. While a large portion of those declines are in the energy sector as a result of the drop in energy prices, there are sectors that should have benefitted by lower prices such as consumer discretionary and any sector with energy as a large input cost.

Warren Buffett once said, Be fearful when others are greedy and greedy when others are fearful." We at Emerald will continue to use managers with a history of strong performance and diversify across a broad range of asset classes. We diversify in an attempt to minimize the risk posed by any one type of investment. While diversification cannot protect investors from all losses, it can reduce the impact of market moves to make it more comfortable to stay with long term strategies.

Please give us a call to discuss any issues or questions you may have.

Regards from the Emerald Team

Disclosure
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About Emerald

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