



WEEKLY MARKET WRAP

REVIEW & PREVIEW

January 11, 2016

VOLUME 23, ISSUE 2

Stocks got off to a rocky start in 2016, falling 5-8% across the major equity indexes. Bonds were generally firmer with the exception of high yield bonds with modest declines. Lack of clarity from China on its currency policies and continued weakness in commodity prices spurred declines, with oil falling below \$32 barrel on Monday's open.

- **Economic Update:** Despite the terrible start for stocks, the economy posted another solid jobs report for December, adding 292K in jobs, with the unemployment rate holding at 5.0% and the labor participation rate ticking up to 62.6%.
- **Tough Start to Year:** This has been the worst start to the year for markets since 2008. Another Chinese sell off, new lows for oil prices, and lower growth estimates globally are all factors. But JP Morgan notes that a down January does not mean negative returns for the year-with calendar year returns positive 60% of the time when a negative January occurs.
- **FANGS-Profit Taking?** Though the S&P 500 finished 2015 modestly positive, most of the 450 smallest stocks were down for the year, with the top 50 stocks up 8.40% on average. The FANG stocks of Facebook, Amazon, Netflix, and Google contributed the most, but all have declined in 2016.
- **S&P 500 Dividend Yield Better Than Bonds:** The recent risk off environment has brought the yield on the 10-year Treasury bond back down to 2.13%, while stock declines have raised the dividend yield on the S&P 500 Index to 2.32%.
- **4th Quarter Earnings Seasons Kick-Off:** 4th quarter earnings season kicks off this week, beginning with Alcoa after the close on Monday. Expectations are low, with 4th quarter earnings expected to decline 5.5% overall, but modestly positive (0.4%) excluding energy. Final earnings have been beating expectations by 3% on average but the S&P 500 Index has not seen back to back earnings declines since 2009.
- **Power Ball Frenzy:** Buying Powerball tickets is a bad investment. \$600 million chased a record \$700 million jackpot over the weekend-no winner.
- **Carl's Corner:** Nick Saban has now won 5 national championships as a head coach. The record is 6 held by former Alabama head coach Bear Bryant.

<i>Index/Portfolio Returns</i>	<i>% Change Week</i>	<i>% Change QTD</i>	<i>% Change YTD</i>
Barclays Aggregate Bond	0.64	0.64	0.64
Barclays High Yield Bond	-0.29	-0.29	-0.29
Barclays Glb Agg Bond	0.75	0.75	0.75
JPM Emerging Mkts Bond	-0.30	-0.30	-0.30
S&P Equity 500 Index	-5.91	-5.91	-5.91
Russell 3000 All Cap Index	-6.13	-6.13	-6.13
Russell 2000 Small Cap Index	-7.88	-7.88	-7.88
NASDAQ Composite	-7.24	-7.24	-7.24
S&P Global BMI	-6.10	-6.10	-6.10
MSCI EAFE Index	-6.14	-6.14	-6.14
MSCI EAFE Small Cap	-5.28	-5.28	-5.28
MSCI Emerging Markets	-6.80	-6.80	-6.80

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