

Market Review and Outlook—June 7, 2016

That is Called a Rebound Three months ago all nine stock sectors showed losses for the past three months. Now they all show gains, of 8½% or more. Don't get excited about the jump in the past three months, just as you shouldn't have been alarmed at the three month drop as of March. Investing has ups and downs, and over time, the ups have overwhelmed the downs.

Everything reversed/recovered in the past three months, oil prices rose, the US dollar fell, and US and foreign stocks rose. We expect economic growth to continue to progress slowly, both in the US and abroad. With the recent stock market gains, stocks do not appear to be outright bargains, but they do appear very fairly valued. Despite the current recovery being extremely long, at over seven years, we do not see any clear storm clouds on the horizon.

Similarly, the bond markets appear to be healthy, all things considered. While rates are incredibly low and have been so for years and years, no sharp increases are expected for many quarters—instead slow and gradual increases are foreseen, and due to Friday's low job growth figures, it could take a little longer for the next increase. With a slow and steady economy, opportunity bonds continue to offer substantial appeal.

We are not making any big changes at this time; we are primarily just rebalancing client portfolios to keep them on course.

With the stock gains of the past three months, it is another good time to rebalance your portfolio, locking in some gains, and picking up some limited bargains where possible. Despite the weak one-year figures in the table, below, the five and ten-year numbers are pretty good, for stocks and bonds, although foreign stocks have not done well in recent years. The Moderate Allocation line at the bottom of the table shows that a steady, balanced approach has produced annual gains of more than 5% over a VERY unstable decade.

Category	3 Months	12 Months	3-Yr Avg	5-Yr Avg	10-Yr Avg
Fidelity Govt Cash Reserves	+0.02%	+0.02%	+0.01%	+0.01%	+1.15%
Intermediate Term Bond	+2.04%	+1.81%	+2.33%	+3.19%	+4.60%
Intermediate Muni Bond	+1.08%	+4.79%	+3.10%	+4.25%	+4.02%
Large-Cap Stock	+8.61%	-1.71%	+9.00%	+9.77%	+6.43%
Mid-Cap Stock	+9.77%	-5.05%	+7.37%	+8.01%	+6.48%
Small-Cap Stock	+10.80%	-5.09%	+6.23%	+7.25%	+5.87%
Foreign Large-Cap Stock	+8.47%	-10.14%	+1.56%	+1.32%	+1.73%
Foreign Small/Mid Cap Stock	+10.92%	-4.11%	+5.13%	+4.37%	+3.94%
Diversified Emerging Markets	+9.51%	-15.02%	-4.62%	-4.25%	+2.76%
Technology	+10.07%	-2.17%	+13.09%	+9.09%	+8.40%
Real Estate	+9.34%	+8.08%	+9.23%	+9.21%	+6.32%
Natural Resources	+17.07%	-14.98%	-5.72%	-5.68%	-0.37%
Moderate Allocation (60% stocks)	+6.50%	-2.17%	+5.11%	+5.82%	+5.24%

The data in this table comes from Morningstar and is as of May 31, 2016

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