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2015 In Perspective and A Look Forward

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As we enter the New Year of 2016, it is my sincere hope that everyone enjoyed the holiday season and was able to spend quality time with their families and friends. It seems like the older you get, the more quickly the seasons change. Christmas and my birthday always seemed to take forever to arrive. Now I wish the years could be subtracted instead of added – truly wishful thinking on my part. However, there is a task at hand and it is time to hit the reset button, start the New Year and get back to work. But first a look back and review of the year that was 2015.

Make no mistake about it, 2015 was an extremely challenging year. While there were no huge market declines such as those seen in 2001-02 and 2008-09, 2015 was a VERY difficult environment to make money in. After zooming up and down and back and forth, the Dow Jones Industrial Average (DOW) eked out a return of +0.21% for the year, the S&P500 Index did slightly better with a yearly gain of +1.38% and the NASDAQ topped the charts at +5.73% (Source: Morningstar). It should be noted that when discussing these index returns, they do not take into account normal acquisition fees and on-going expenses associated with actually purchasing and holding them in your own account as an investment. Unless you individually buy all 30 stocks of the DOW, the 500 stocks of the S&P or every stock in the NASDAQ, a representation of the index would need to be purchased through a mutual fund company or an Exchange Traded Fund. In either case, there may be a purchase fee and there is always an ongoing expense in holding the investment in your account. This expense would lower the overall return to some degree from the year-end figures quoted above.

Looking at the macro investing view of last year, the Average U.S. Stock Fund came in below the major indexes (DOW, S&P500, NASDAQ) with an average loss of -2.1% in 2015. It is well documented that outperforming the major index averages is very difficult for actively managed mutual funds. Why not simply invest in index funds then? There are many arguments both for and against. The pros and cons of active v. passive investments have been written about frequently but are beyond the scope of this article; however, as with all investments, they need to be tailored to the goals and objectives of the individual investor.

Back to a recap of 2015 investments. Individual sectors always seem to produce bigger winners as well as bigger losers and 2015 was no exception. Health Care/Biotech was the clear sector winner last year with a gain of +8.1% for the year. For the second year in a row, the Natural Resource sector was the hands down loser with -25.8% return. Falling oil prices and worldwide weakness in commodities doomed this sector. In what is usually a slower but steady return category, bonds were no panacea in 2015. The Average Taxable Bond Fund lost -1.7% last year.

To sum up investing in 2015 – very few categories did well and there was almost no place to hide. We should be aware that in the investment business, returns frequently come in bunches. With no Federal Reserve stimulus money to “grease” the market, markets did what markets usually do, they go up and down. Two steps forward, one step back. The enormous amount of stimulus money in the last few years from the Federal Reserve, European Union and Japan threw the markets off their natural equilibrium so it should not be a total surprise that we are paying the price now.

As we enter 2016 and a new calendar year (which, by the way, will begin my 21st year in the financial services business) world markets couldn't be more challenged. Concerns about a slowing Chinese economy and its impact on global growth, falling oil prices, the possibility of additional interest rate increases by the Federal Reserve, weak corporate earnings, and low inflation all portend to be key economic elements as we enter 2016. And while no one can really predict how the year will end, there appears to be many major economic hurdles to overcome as we enter the New Year.

In my December article I wrote about the “Santa Claus Rally” being an omen on how the stock market would perform the following year. The Rally period is the time occurring during the last 5 trading days of the old year and the first two trading days of the New Year. Historical data shows that Santa tends to come to Wall Street nearly every year during these trading days with a short, sweet rally. The average gain during this period has been 1.5% since 1969. Since this period is more often than not an up period for stock prices, a failure to rally during this period is a telltale sign. Unfortunately, Santa did not visit this year since the last five days of 2015 and the first two days of 2016 were down a combined -2.34% in the S&P500 and -2.57 for the DOW. In addition to an absent Santa, the beginning of 2016 has been the market’s worst start on record. There is yet another early warning indicator we review called the January Barometer. This Barometer states that as the S&P500 goes in January, so goes the year. As I write this article, the market is down dramatically so far in January. With only a few trading days to go in the month, we would need a substantial rally to end January with a gain. While these indicators do not totally predetermine a down year for the markets, they do give us a stern warning that all is not well. Unknown factors could still change the negative picture to a positive one but only time will tell.

In closing, risk is back in the investment picture as it has traditionally been. My Money Management Program is a risk management investment program. So far, so good in 2016. I review your accounts every day and make changes in an attempt to adapt to the markets evolving patterns. Intense and never a dull moment. Best wishes for the New Year and Take good care!!!

New Year Wishes – 2016

For many years now it has been my tradition to start the New Year with a few inspirational passages, stories or quotes. I believe the selections below can offer some wisdom for all of us.

DESTINY

The hidden power believed to control what will happen in the future. The events that will necessarily happen to a particular person or thing in the future.

"Destiny is not a matter of chance, it is a matter of choice; it is not a thing to be waited for, it is a thing to be achieved"
– William Jennings Bryan

"Our destiny, both personally and professionally, is not preordained. It is not cast as a script of fate. Destiny is a product of our thoughts, our words, our behavior, and our habits, leading to the values that shape our destiny. The hidden power believed to control what will happen in the future is within each of us."
-John Popovich, Jr., M.D. – President and CEO, Henry Ford Hospital

The Four Agreements are:

1. Be Impeccable with your Word-
   Speak with integrity. Say only what you mean. Avoid using the Word to speak against yourself or to gossip about others. Use the power of your Word in the direction of truth and love.

2. Don't Take Anything Personally-
   Nothing others do is because of you. What others say and do is a projection of their own reality, their own dream. When you are immune to the opinions and actions of others, you won't be the victim of needless suffering.

3. Don't Make Assumptions-
   Find the courage to ask questions and to express what you really want. Communicate with others as clearly as you can to avoid misunderstandings, sadness and drama. With just this one agreement, you can completely transform your life.

4. Always Do Your Best-
   Your best is going to change from moment to moment; it will be different when you are healthy as opposed to sick. Under any circumstance, simply do your best, and you will avoid self-judgment, self-abuse, and regret.

You are never too old to set another goal or to dream a new dream.
- C. S. Lewis

"No eye has seen, no ear has heard, and no mind has imagined what God has prepared for those who love him." *1 Corinthians 2:9*

"A good character is the best tombstone. Those who loved you and were helped by you will remember you when forget-me-nots have withered. Carve your name on hearts, not on marble."
- Charles Spurgeon

We must know that we have been created for greater things, not just to be a number in the world, not just to go for diplomas and degrees, this work and that work. We have been created in order to love and to be loved.
- Mother Teresa

"Hate no one, no matter how much they've wronged you. Live humbly, no matter how wealthy you become. Think positively, no matter how hard life is. Give much, even if you've been given little. Keep in touch with the ones who have forgotten you, and forgive who has wronged you, and do not stop praying for the best for those you love"
-Imam Ali Bin Abi Talib