

What a Year!

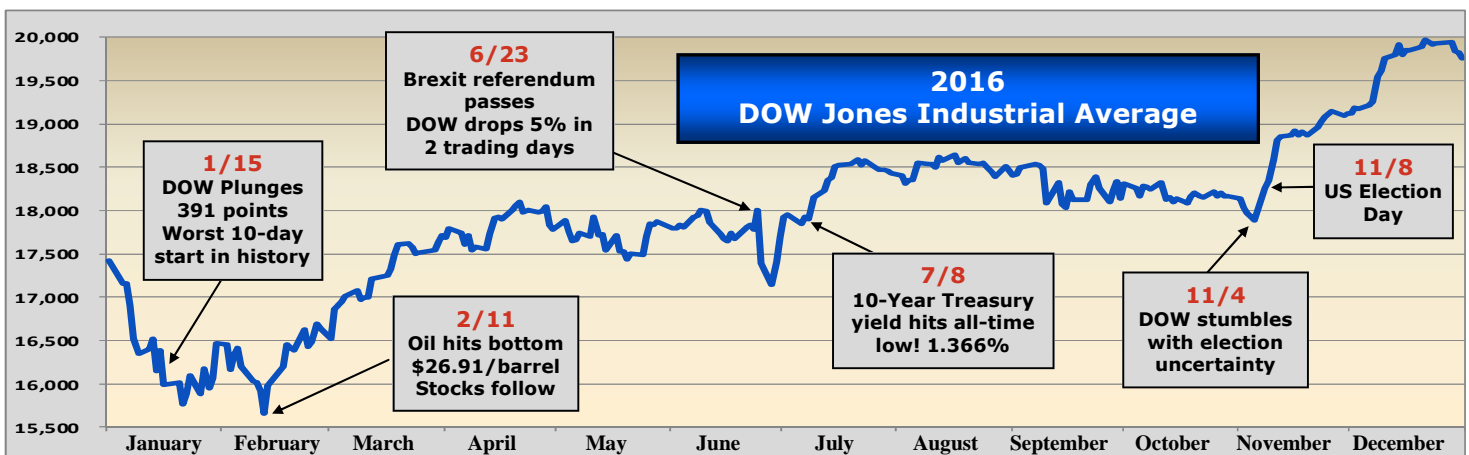
Driven by plunging oil prices, 2016 began with the worst 10-day stock market decline in history! Oil tumbled from over \$100 a barrel during 2014 to merely \$29.28 by mid-January. The stock market Bears awoke from hibernation and were on the prowl. Pundits proclaimed that fear had gripped the markets and predicted the demise of the second longest Bull Market on record. A CNN article on January 15th recapped the mayhem—

- *DOW plunges 391 points as fear grips markets ... leaving the index down an incredible 1437 points in just the first two trading weeks of the year.*
- *The wave of selling dashes the hopes that Wall Street's panic attack was over.*
- *There's a mad rush to the exits!*
- *CNNMoney's Fear and Greed Index...continues to flash "extreme fear".*

voted to "Leave" revealing a deep seated political backlash which many believe was driven by those who felt left behind by technology and globalization.

The Brexit vote surprised the financial markets, sending the British pound down 10% against the US dollar in just one day while the DOW sank 5% in only two days. This immediate economic shock falsely fueled economists' expectations that the country would sink into recession by year end. Instead the U.K. continues to grow slowly. The central banks easy money policies to stimulate this persistent weak global growth coupled with the strong US dollar, pushed the yield on the 10-year Treasury note to an **all-time** low of 1.366%. These mid-year record low bond yields confounded most experts who had been predicting rising interest rates for the last four years.

Just before the US Presidential election, the DOW stumbled on worries of the outcome. On election day just before midnight when CNBC predicted that Donald



By early February, the major stock markets were down by over 10%. Nerves were frayed. Consumer confidence was in the toilet. The news media fueled the perception that our economy was grinding to a halt.

Just in the nick of time, US Federal Reserve Chair, Janet Yellen, and European Central Bank President, Mario Draghi, unloaded with both barrels on that stock market Bear declaring that they would be extremely accommodative with low interest rates as far as the eye could see. The DOW soared from the year's low point of 15,660 on February 11th to 17,685 by the end of March, a 13% surge and another comeback for this resilient Bull.

The calm spring months were focused on the United Kingdom's referendum to exit the European Union, **Brexit**. Britain's Prime Minister, David Cameron, led the "Remain" camp arguing it was essential to be a part of the EU for Britain's economy and security. The "Leave" camp attacked the immigration status quo, arguing that exiting the EU would allow Britain to regain control of their borders, sovereignty and independence. The U.K.

Trump would win the Electoral College, DOW futures plunged 800 points. S&P futures and Nasdaq futures fell more than 5%. Ironically, the next day, the DOW actually rose 1.4%. What will the next 4 years bring?

Trump's explosive campaign against the establishment, trade policies and globalization rang true for many disenfranchised workers. His anticipated policies of personal tax cuts, infrastructure spending, and lower corporate tax rates sent the DOW on nearly an 8% rally, but just like his campaign his policies produced polarized results in other markets. Small stocks skyrocketed due to likely lower tax rates, but bonds tanked due to perceived inflation and deficit spending, while foreign stocks declined on the prospect of less US trade and lower world growth. Amid all this tumult is the hope for future unity for all Americans. *E pluribus unum*, out of many, one.