HT Partners
Family Wealth Counselors

MARKET HIGHLIGHTS & COMMENTS
3RD QUARTER - 2015

“Most FOMC participants, including myself, currently anticipate that achieving these conditions will likely entail an initial increase in the federal funds rate later this year, followed by a gradual pace of tightening thereafter, but if the economy surprises us, our judgments about appropriate monetary policy will change.”
– Janet Yellen, Federal Reserve Chair, in a speech Thursday, Sept. 25, 2015 in Amherst, Massachusetts

Market Index	Asset Class Proxy	YTD 2015	3rd Quarter 2015	2nd Quarter 2015	1st Quarter 2015	Full Year 2014	Full Year 2013	Full Year 2012
S&P 500 Index	U.S. Broad Market Equities	-5.29%	-6.44%	0.28%	0.95%	13.69%	32.39%	16.00%
Russell 2000 Index	U.S. Small Cap Equities	-7.73%	-11.92%	0.42%	4.32%	4.89%	38.82%	16.35%
MSCI EAFE Index (USD)	Intl. Mkt. Equities (in USD)	-4.91%	-10.19%	0.84%	5.00%	-4.90%	23.29%	17.90%
MSCI Emerging Market Index (USD)	Emerging Market Equities (in USD)	-7.70%	12.03%	-0.63%	4.26%	-2.19%	0.29%	17.32%
Barclays U.S. Aggregate Bond Index	Broad Market Fixed Income	1.13%	1.23%	-1.68%	1.61%	5.97%	-2.02%	4.21%
HFRX Equal Weighted Strategies Index	Alternative Investment Strategies	-0.89%	-2.5%	-0.30%	1.91%	-0.49%	6.29%	2.49%

While the Adviser believes the outside data sources cited to be credible, it has not independently verified the correctness of any of their inputs or calculations and, therefore, does not warranty the accuracy of any third-party sources or information.

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Risks to Consider

Headwinds *Not* Priced In:

- The Commodity Crash Becomes a Systemic Issue
- The Junk Bond Market Declines Further, Putting Funding Stress on Companies
- Government Shutdown in December

Each of these are remote possibilities, but they cannot be ruled out.

Potential Market Influence: Very Negative. None of these events are priced into stocks right now and there's only one way they will influence stocks: downward. These remain risks to monitor.

HT Partners Suggested Asset Class Positioning

Asset Class Winners & Losers

- Positive - Passive vs Active, Equal Weight vs Cap Weight, Small Cap Growth, Mid Cap
- Neutral - Fixed Income, International, Emerging Market, Real Estate, Cash
- Negative - Currency, Commodities, Large Cap

Investor Strategy & Broken Record Themes

- Stay Fully Invested & Diversified
- Maintain 6 to 9 months of Liquid Cash Reserves to Meet Expenses
- Rebalance Portfolios Semi-annually (more frequently if asset class sub sectors become overvalued or undervalued)

Economy

- The number of open job positions waiting to be filled increased to 5.75 million nationwide. Employers are optimistic about long term economic growth and are willing to post new positions to compete for a dwindling pool of qualified workers. Such dynamics tend to lead to higher wages as employers need to bid salaries higher.
- Federal Reserve members may have become extremely sensitive to the occurrences in China and the emerging markets, which have been adversely affected by the dollar's strength. Some propose that the Fed is trying to indirectly minimize the dollar's strength by keeping interest rates from rising too soon.

Equities

- Volatility driven by uncertainty surrounding the Fed's rate hike decision and international growth concerns drove equity markets lower in the 3rd quarter. Basic materials were off by nearly 17% for the 3rd quarter, with healthcare losing 11% and energy falling over 18.5%. Lower oil prices along with the prospect of continued anemic growth affected the materials and energy sectors. Economically sensitive sectors are subject to even greater volatility as uncertainty prevails surrounding economic growth.
- Stock analysts will be closely following 3rd quarter earnings as certain companies reporting a possible drop in earnings might consider ceasing buybacks and reducing dividend payments.
- Equity markets reacted to many factors including earnings, economic developments, and political turmoil. Because the world economy has become so entwined, not only did China's announcement to devalue its currency send shock waves through developed and emerging markets, but they were also the largest sellers of US Government debt prior to the announcement. The Chinese are attempting to shift the focus of their economy from purely industrial based more toward one based on services and consumption. This will require structural changes in the way businesses are developed and operated. When China's economy slows down we see the ripple effect it has on global production and growth.

Bonds

- Anticipation is building as the Fed nears a decisive move to raise rates before year end. Some believe that the Fed may have missed its chance to raise rates, which would have conveyed a sense of confidence about the nation's economy.
- Credit spreads continued to widen between U.S. government bonds and corporate high yield bonds. Questionable corporate earnings tend to pull corporate bonds down, while indirectly increasing stock fluctuation and price uncertainty.
- Roughly 20% of the $7.8 trillion corporate bond market is maturing in 2016 & 2017. If companies are not able to pay off their debt, where will interest rates be if additional debt is needed to fund the maturing bonds.
- Short term rates continue to rise as long term rates decrease, an indication that the Federal Reserve is working behind the scenes.

Commodities

- During August, gold may have dropped to a 5 year low due to weak global growth and a strong U.S. dollar. For years, gold has been a safe haven for investors looking to hedge against inflation, political crisis, and currency issues. The idea is that a country's currency has a tangible backing, thus creating a sense of value that is accepted by the international markets. Gold has been, and continues to be, an accepted monetary value worldwide.

- The U.S. has alleviated its 40 year ban on oil exports by approving exports to Mexico. Net imports have significantly decreased in the last 5 year and U.S. oil stockpiles have reached record highs during that time. This will allow the U.S. to finally compete in global oil markets and still maintain its energy independence.

IMPORTANT DISCLOSURES

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