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2015 Economic Recap

2015 was a rough year for most of the global stock market. The US market went up, only to have most of its gains dashed just before year end! The Nasdaq managed to end up 6% year-to-date with the help of a few large out-performers like Netflix, Amazon and Alphabet (aka Google). The Dow and S&P 500 weren't so lucky, both ending the year slightly negative.

In a way the 2015 year recap is pretty straight forward because the themes of the year have been so pervasive.

1) Oil: Can prices go lower? Apparently, they can and did go lower - to lows unseen in over a decade. The Middle East, especially Saudi Arabia, is playing chicken with low oil prices to push everyone else back out of the market. For now it's working, as some have already stopped producing. Others are burning through inventory to squeeze out enough revenues at low oil prices to keep up with their expenses which could ultimately mean, they, too, end up out of the game.

2) Interest rates: Yes, Virginia, there really is a government that knows how to raise rates. After a very long wait, **the Feds finally decided to raise rates by 0.25%.**

3) Strong dollar: Why oh why didn't I travel to Europe last year? The US dollar has strengthened against most currencies over the last couple of years, but most notably against the Euro - around 12% in 2014 followed by another 10% in 2015.

4) China: The ripple effect of their slowing economy was particularly harsh on emerging market countries that were heavy commodity exporters. Slowing infrastructure growth in China has meant lower demand for commodities.

So where does that put us? After 30 years of falling interest rates, we need to prepare for falling bond prices instead. Keep your eye on oil importing emerging markets like India that might benefit from the oil price wars. In the US, unemployment is down, and growth stocks are still pricey, so maybe it's time to start eyeing value stocks. Euro land might be another place to look to see if their bond buy back programs, austerity measures and lowered interest rates are finally kicking in.

- Anita

	Current Month	Prior Quarter	4th Quarter	Prior Year	1 Year	52 Week	
	Dec-2015	Sep-2015	% Change	Dec-2014	% Change	High	Low
Dow	17,425.03	16,284.70	7%	17,823.07	-2%	18,351.36	15,370.33
S&P 500	2,043.94	1,920.03	6%	2,058.90	-1%	2,134.72	1,867.01
NASDAQ	5,007.41	4,620.16	8%	4,736.05	6%	5,231.94	4,292.14
<i>Commodity Prices</i>							
gold	1,060.50	1,114.70	-5%	1,183.20	-10%	1,305.70	1,045.40
silver	13.83	14.49	-5%	15.69	-12%	18.09	13.62
oil*	37.07	45.30	-18%	53.71	-31%	65.50	35.35
<i>Yield</i>							
2 Year Treasury	1.06%	0.63%	67%	0.67%	58%	1.12%	0.40%
10 Year Treasury	2.27%	2.04%	11%	2.17%	5%	2.50%	1.64%
30 Year Treasury	3.02%	2.86%	6%	2.74%	10%	3.25%	2.22%
<i>Currencies</i>							
USD/Euro	1.09	1.12	-3%	1.21	-10%	1.21	1.05
Yen/USD	120.66	119.92	1%	119.72	1%	125.85	115.86
<i>Interest Rates</i>							
Prime	3.50%	3.25%	8%	3.25%	8%	3.50%	3.25%
30 Yr Mortgage	4.08%	3.86%	6%	4.04%	1%	4.22%	3.71%

Data source: www.WSJ.com

Indices mentioned are unmanaged and cannot be invested into directly. Past performance is not a guarantee of future results. These are the opinions of the author and not necessarily those of Cambridge. Information is believed to be from reliable sources, however, its accuracy or completeness cannot be guaranteed.

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