

# INVESTMENT STRATEGY QUARTERLY QUICKVIEW

JANUARY 2016

## THEMES

For more information, refer to the full *Investment Strategy Quarterly*.



### 2016 economic outlook

The 2016 outlook is dominated by the same themes that prevailed during the second half of 2015.



### Answers await for the global policy divide

Divergence in global monetary policy places further pressure on exchange rates and global economic growth, and increases the potential for financial market volatility going forward.



### A base case for equities

Investors with long-term goals and well-diversified portfolios need not make major adjustments in overall equity allocations.



### Bullish until proven otherwise

Equities are expected to outperform bonds, commodities and alternative investments.



### U.S. Equity in 2016: An inflection year

The general "sideways" activity of the S&P 500 may actually bode quite well for stocks heading into 2016. Historically, periods of inactivity have often been followed by periods of strong gains.



### International Equity: Opportunities and challenges

Given valuations, market sentiment and volatility, we recommend a neutral weight to international equities relative to domestic equities and a slight underweight to emerging markets equities.



### Fixed Income Outlook: 2015 redux?

The Treasury debt supply is anticipated to be lower in 2016, and what supply is issued is projected to be weighted more heavily in bills or short-term notes.



### Light at the end of the tunnel for oil; natural gas still in the dark

Due to supply going into 2016, energy prices should remain low, and we are more optimistic on a 6- to 12-month recovery in oil prices compared to natural gas.



### Looking ahead at housing

The U.S. housing market continues a measured, albeit unimpressive, recover and we expect this to continue into 2016.

## ECONOMIC SNAPSHOT

ECONOMIC INDICATOR

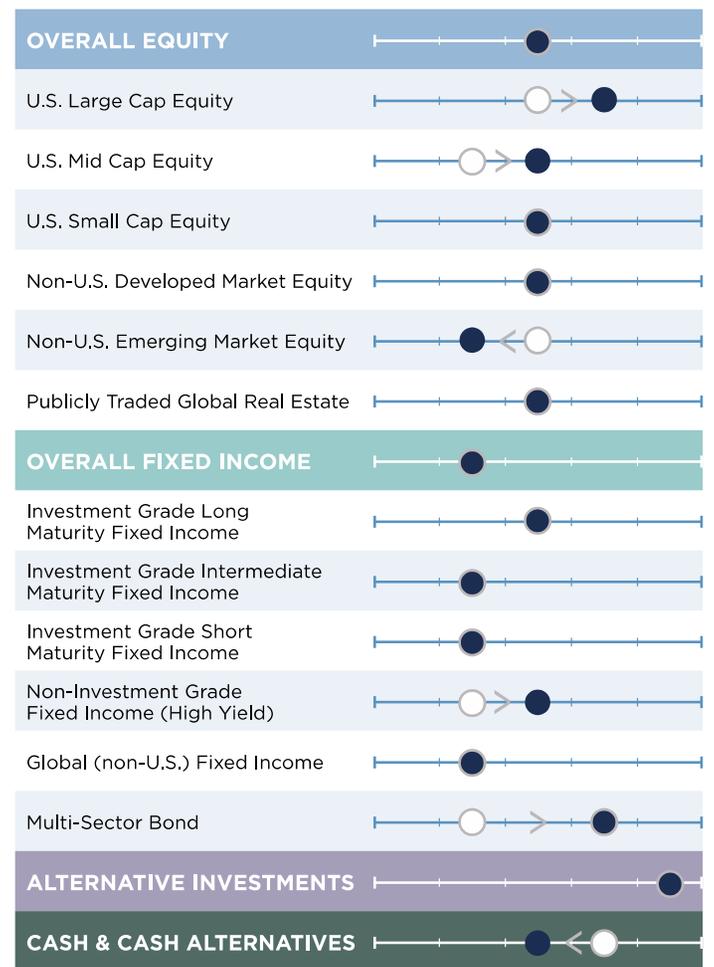
POSITIVE OUTLOOK	GROWTH
	EMPLOYMENT
	CONSUMER SPENDING
	HOUSING AND CONSTRUCTION
	INFLATION
NEUTRAL OUTLOOK	THE U.S. DOLLAR
	MONETARY POLICY
	BUSINESS INVESTMENT
	MANUFACTURING
NEGATIVE OUTLOOK	LONG-TERM INTEREST RATES
	REST OF THE WORLD

From Scott Brown, Ph.D., Chief Economist, Equity Research

## TACTICAL WEIGHTINGS

(6-12 months)

○ Oct. 2015  
● Jan. 2016



The tactical asset allocation dashboard above reflects the Raymond James Investment Strategy Committee's recommendations for current positioning relative to our longer-term strategic models. Your financial advisor can help you interpret each recommendation within this material relative to your individual asset allocation policy, risk tolerance and investment objectives.

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## CAPITAL MARKETS SNAPSHOT

EQUITY	AS OF 12/31/2015*	4Q15 RETURN**	12-MONTH RETURN**
Dow Jones Industrial Average	17,425.03	7.70%	0.21%
S&P 500 Index	2,043.94	7.04%	1.38%
NASDAQ Composite Index	5,007.41	8.71%	6.96%
MSCI EAFE Index	1,716.28	4.71%	-0.81%
RATES	AS OF 12/31/2015	AS OF 9/30/2015	AS OF 12/31/2014
Fed Funds Target Range	0.25 - 0.50	0.00 - 0.25	0.00 - 0.25
3-Month LIBOR	0.60	0.33	0.26
2-Year Treasury	1.06	0.64	0.67
10-Year Treasury	2.27	2.06	2.17
30-Year Mortgage	4.01	3.84	3.83
Prime Rate	3.50	3.25	3.25
COMMODITIES	AS OF 12/31/2015	4Q15 RETURN	12-MONTH RETURN
Gold	\$1,060.00	-4.85%	-12.11%
Crude Oil	\$37.04	-17.85%	-30.47%

\*Price Level  
\*\*Total Return

## SECTOR SNAPSHOT

RECOMMENDED WEIGHT	SECTOR	S&P WEIGHT
OVERWEIGHT	INFORMATION TECHNOLOGY	20.9%
	FINANCIALS	16.6%
	CONSUMER DISCRETIONARY	13.0%
EQUAL WEIGHT	HEALTH CARE	15.0%
	INDUSTRIALS	10.0%
	CONSUMER STAPLES	9.9%
UNDERWEIGHT	ENERGY	6.5%
	UTILITIES	2.9%
	MATERIALS	2.8%
	TELECOM	2.4%

From J. Michael Gibbs, Director of Equity Portfolio & Technical Strategy

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**ASSET CLASS RETURNS:** Source: Russell, Barclays, Dow Jones, JP Morgan, Callan Associates.

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