



## 2<sup>nd</sup> Quarter 2016 Commentary | July 2016

**Brexit Turmoil:** Britain's vote to exit the European Union created turmoil in the markets for two days in late June. Fortunately, this was just a short knee jerk reaction. While most indices have not yet returned to their values prior to Brexit, they still performed quite nicely for the quarter.

### Signs the US Economy Continues to Slow Dance:

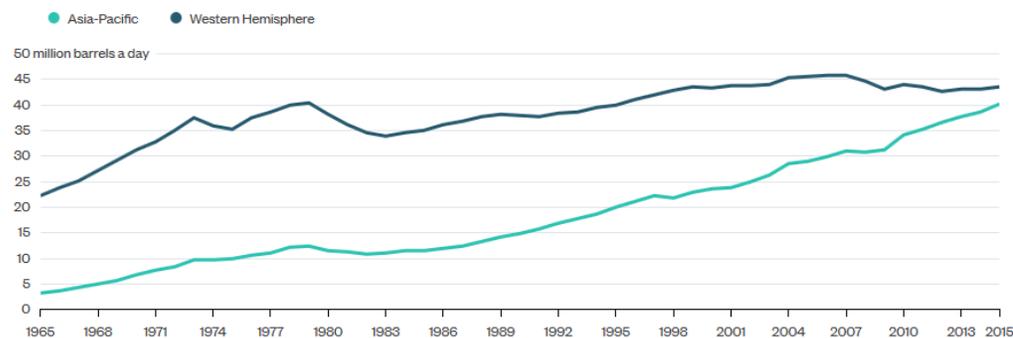
**Home Sales:** U.S. existing home sales rose to a nine-year high in April as improving supply increased choices for buyers. Sales were up 4.5% from the previous year and considered to be a sign of an improving economy. U.S. pending home sales then fell 3.7% in May which may suggest a reduction in available homes for sale, which is pushing up home prices.

**Interest Rates:** The International Money Fund (IMF) cut its forecast for the U.S. and urged the Federal Reserve to lean toward modestly overshooting its inflation target when considering whether the economy can handle higher interest rates. The IMF reduced its forecast for the U.S. economic growth from 2.4% to 2.2% in April. It continues to forecast a 2.4% expansion in 2017. The IMF said in a statement on June 22<sup>nd</sup> that "there's a clear case for the Fed to proceed on a "very gradual" path in raising the benchmark rate." Following the Brexit vote, it appears unlikely that rates will be raised in the near future and when they are, it will be very gradual.

**Oil Prices:** There has been a lot of pessimism among oil investors in recent months and indeed the "black gold" bear market over the last few years has destroyed many nest eggs. That said, oil prices are almost certain to continue rising, especially in the Asia-Pacific area, as displayed by the below chart:

### Pacific Heights

The world's oil consumption has tilted heavily eastward



Source: BP Statistical Review of World Energy

Note: Western Hemisphere includes the Americas and the EU.

June 30, 2016 Benchmark Returns	
2016	2 <sup>nd</sup> Quarter
<b>Large-Cap US Indices</b>	
Dow Jones Industrial TR	2.07%
Standard & Poor's 500 TR	2.46%
NASDAQ Composite TR	-0.23%
Russell 1000 Growth TR	0.61%
Russell 1000 Value TR	4.58%
<b>Small-Cap Indices</b>	
Russell 2000 Growth TR	3.24%
Russell 2000 Value TR	3.79%
<b>Large Cap International Indices</b>	
MSCI EAFE (Local Currency)	-1.92%
MSCI EAFE (US Currency)	-1.46%
<b>Fixed Income Indices</b>	
Barclay's US Aggregate Bond TR	2.21%
Citigroup World Govt. Bond	4.04%
<b>Real Estate Indices</b>	
Dow Jones US Select REIT TR	5.42%

\* Index performance is provided as a benchmark only. The performance of your individual portfolio will vary from that of any one index. Past performance of an index is never a guarantee of future results.  
NOTE: TR=Total Return (includes reinvested dividends).

The Western Hemisphere oil demand has been flat since roughly 2000. On the Asian side, demand growth has been steady and consistent for decades. In short, the future of oil prices will largely be driven by demand from Asia and the available supply from the rest of the world.

*Benign Inflation:* Economists are forecasting that Brexit will subtract an average of 2/10ths of a percentage point from U.S. growth over the next six quarters. Despite the steady gains in consumer spending last month, inflation remained benign. In the 12 months through May, the core Personal Consumption Rate (PCR) increased 1.6% after rising by the same margin in April. The core PCR is the Fed's preferred inflation measure and is running below the U.S. central bank's 2% target.

### Financial Planning Tip:

If you gave someone a bow and arrow and told them to "Shoot!" their first response would likely be "At what?" When there is no target, there is no purpose for shooting. They could shoot the arrow anywhere and wherever the arrow ended up would be where the arrow ended up – that's it! On the other hand, if you gave the archer a target and challenged them to hit the bull's eye – *everything changes!* You now gave them something to aim at, something to challenge their skills against, something to measure their progress with, and something that gives their effort *purpose*. Such a big change just by adding a simple target...

Do you have a list of Objectives or Personal Goals that you review periodically? One of the first things we provide our financial planning clients is a list of their Financial Objectives! It is important to create a list, prioritize the list (for both importance and timeliness), and then begin to take small (but measurable) steps towards achieving your goals. We believe this so strongly that "Planning Makes it Possible" is part of our Premier logo!

### Enclosed Investment Reports

#### 2<sup>nd</sup> Quarter 2016 Reporting:

- *Aggregate Overview; Current Value, Asset Allocation and Performance; summarized by Portfolio and Combined Portfolios, as applicable*
- *Holdings Analysis by Account; summarized by Asset, Account and Asset Allocation*
- *Statement of Fees for the 3<sup>rd</sup> Quarter 2016 (based on 06/30/16 values)*
- *Disclosure Statement*

*Please remember that this investment reporting is for informational purposes only and you should also refer to the investment statements you receive from your brokerage custodian.*

As always, we appreciate your continued confidence and trust. Should you have any questions or concerns, please contact us.

Best regards,



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