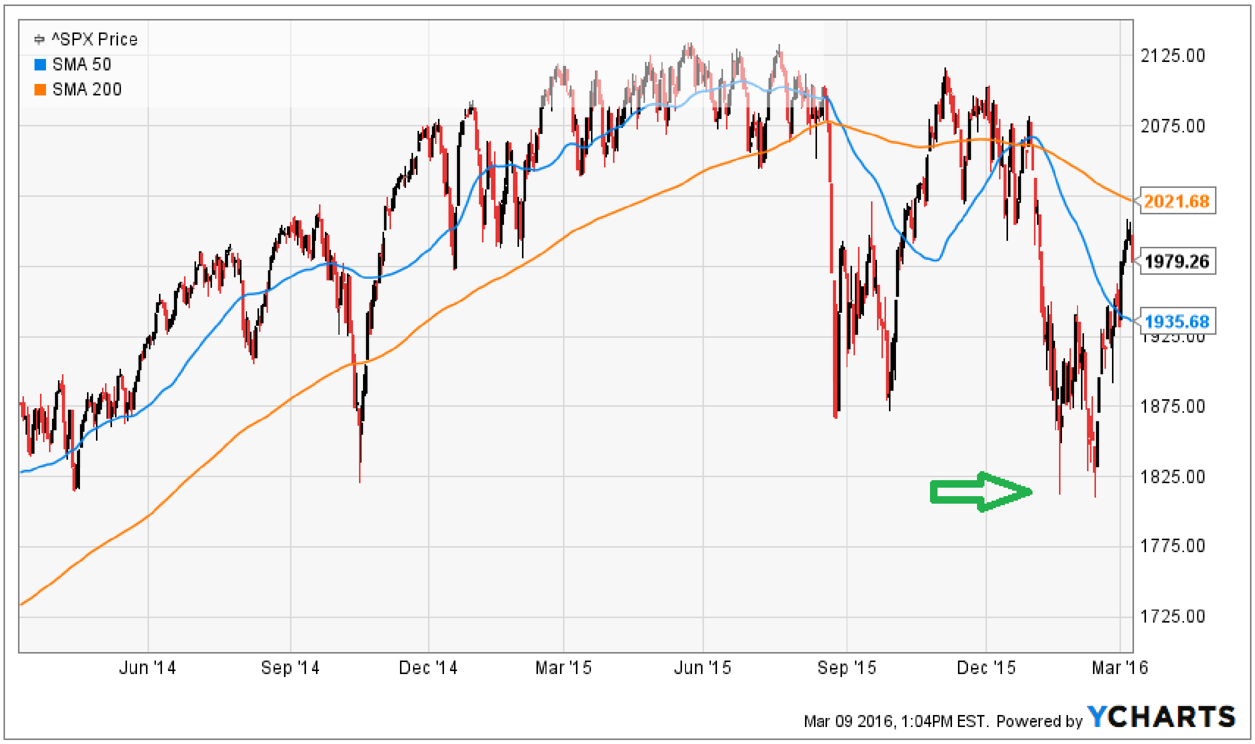
Market Update

March 9, 2016

Is this market rebound going to last?

On February 11th the markets tested the most recent lows established and created a double bottom pattern, when charting the returns in the market. Since then, the markets have rebounded near term in a very strong manner breaking through short tern resistance and the 50 day moving average of prices on the major indices. All are technical indications that set up a positive market outlook in the near term and potentially in the longer term. The two year chart of the S&P 500 below shows the green arrow pointing to the double bottom formation. The blue line is the shorter term 50 day moving average of prices and the orange line is the longer term 200 day moving average of prices.



Information in this chart above is taken from sources we believe to be reliable; however we do not guarantee its accuracy or completeness.

In my last market update in February, I discussed that the bear market conditions that began June 23, 2015 had been in place for more than half of the traditional average of length of bear markets. (For a copy of February's market update please contact me)

The recent market activity as shown by the chart above is a positive development that could continue and extend the secular or long term bull market conditions that we have been in since the March 2009 lows. Some of the reasons for a continuation of the longer term bull market trend are continued improvement in the employment numbers, oil finding a bottom but continued low oil prices, low inflation and Chinese economic conditions improving. We must however understand that there are plenty of other issues that could derail the further improvement of our current markets. Oil price instability, weakness in emerging markets and China, the U.S. political environment and presidential race as well as other issues may affect continued improvement.

Should the indices break through their respective 200 day moving averages in a meaningful way and sustain levels at or above 200, this would be a further indication of market strength and the potential end of the cyclical or short term bear market. As the U.S. labor market continues to improve, I believe the U.S. markets will continue on in a positive direction.

Reviewing one's asset allocation to make sure it is in line with overall risk tolerance, goals and objectives is the right course of action. Rebalancing the percentages of investment assets owned to reflect the longer term strategic allocations used will continue to be prudent and necessary. However, I do not see any reason to make drastic decisions to sell assets. For some, the recent market action has created a long term buying opportunity that should be rewarding years from now.

If you have questions or would like to discuss this further with regard to your personal portfolio please contact me at 310-433-5378.

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