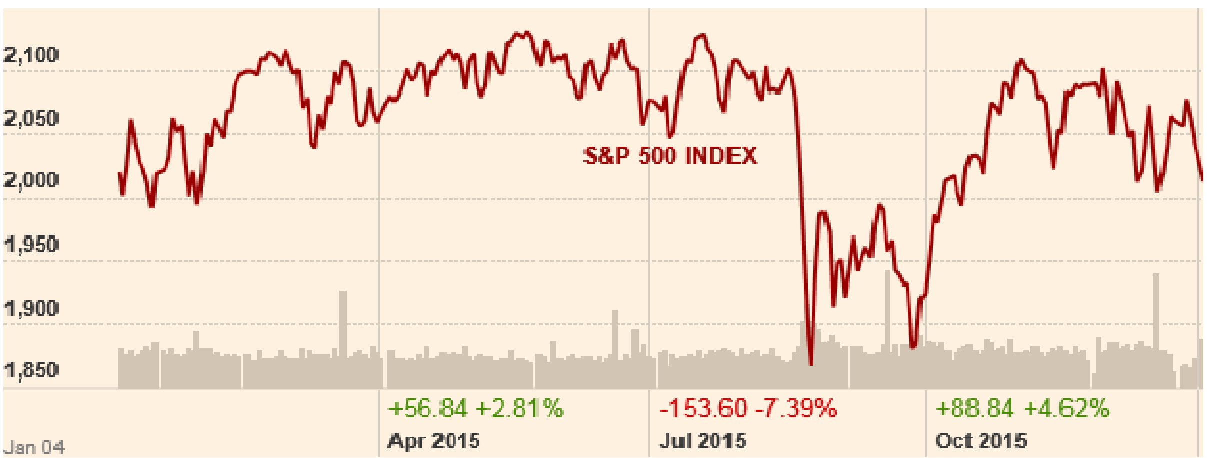
Avista 2015 Global Market Review

After 3 years of double digit gains, the S&P 500 (U.S. large company stocks) returned only 1.4% in 2015 (-.73% without dividends). As can be seen in the chart below, the S&P 500 appreciated through the first half of 2015, then suffered a significant sell-off in late summer. By the end of the year, those losses were recovered and the index finished at 2043.94



Source: Financial Times

The technology heavy NASDAQ increased by 5.7%, as Amazon and Netflix both rose over 120%, while Facebook increased 36%. Long-time tech star Apple fell by just over 4%. The S&P 400 (mid-sized companies) was down 2.2% and the Russell 2000 (small company stocks) fell by 4.4%.

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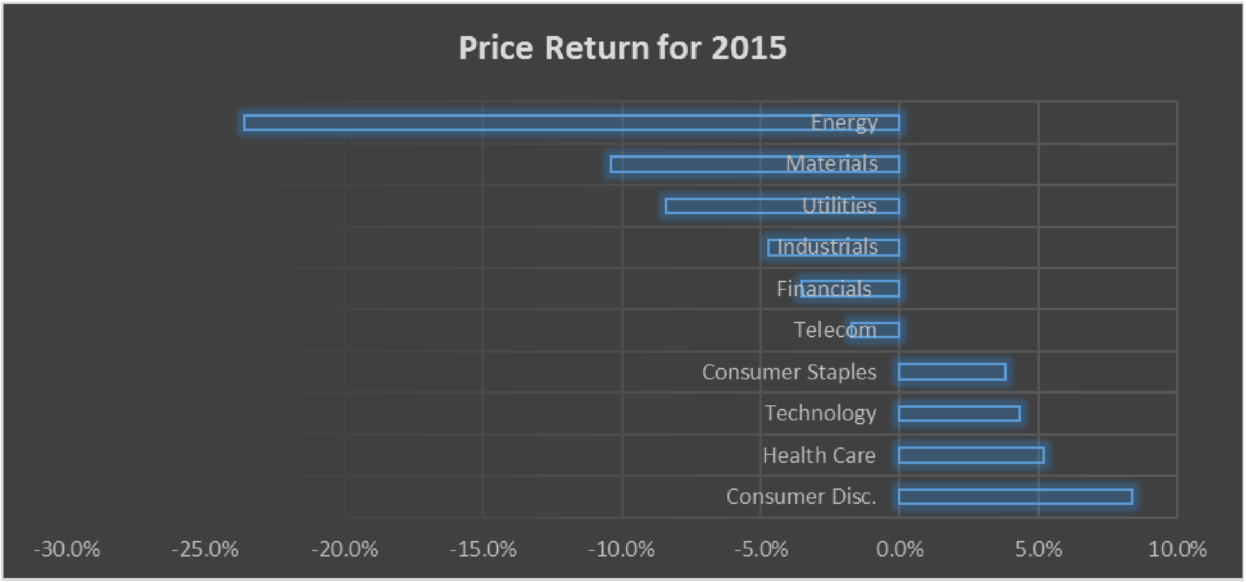
Taking a closer look at the U.S. market by sector, the chart below shows 6 of the 10 S&P sectors finished in negative territory for 2015.



Yield was difficult for investors to achieve in 2015. While bonds did provide some relief from equity market volatility, they gave little in yield or total return. Morningstar Bond Indices showed Short Term, Intermediate and Long Term Government bonds delivered .65%, 1.67% and .5%, respectively. The Barclays U.S. Bond Aggregate provided a .55% return. It was a particularly tough year for commodities in 2015, as weakness in global economic growth drove the overall market decline in commodity prices. For oil, it was the second consecutive down year (the first time since 1998), falling 63% over the two-year period and closing 2015 at around $37/barrel. Forecasts for the first half of 2016 are also not good, as Russia and Middle East suppliers refuse to cut production levels and are adding to the global supply glut.

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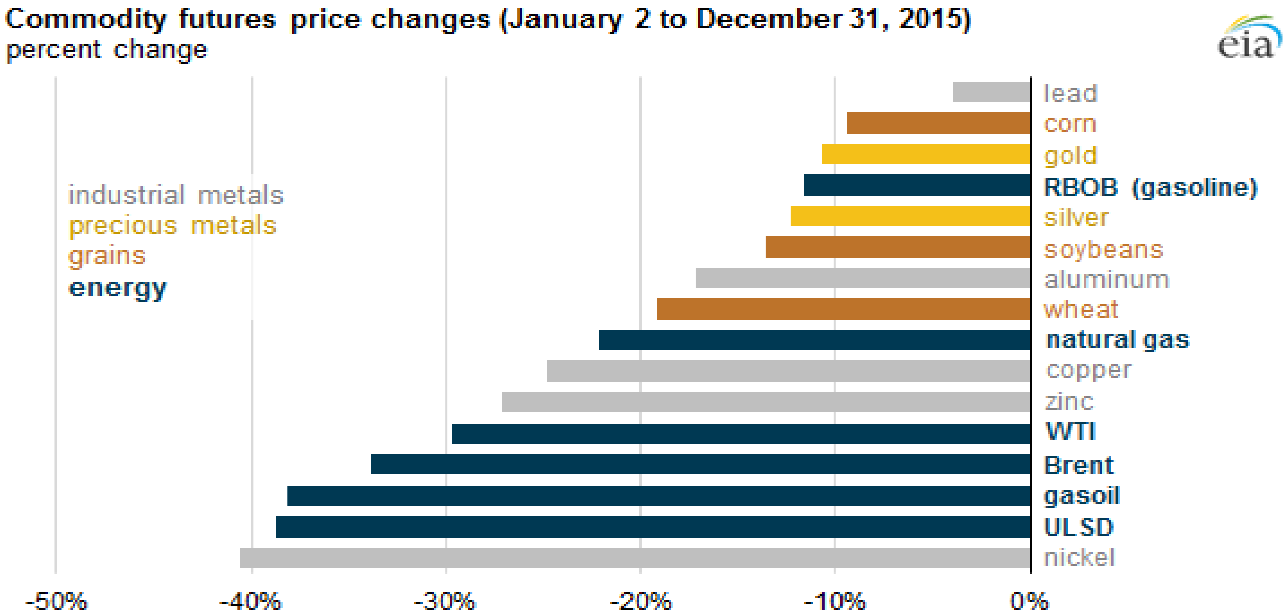
As can be seen below, every one of the 16 commodities tracked in the S&P/Goldman Sachs Commodity Index fell during the year.



Source: Bloomberg L.P.

Note: These commodities are included in the S&P GSCI Energy, Grains, Industrial Metals, and Precious Metals indices. All price changes reflect changes in front month futures contract price for each commodity. WTI is West Texas Intermediate, RBOB is reformulated gasoline blendstock for oxygenate blending, and ULSD is ultra-low sulfur diesel.

European economies benefitted in 2015 as the European Central Bank (ECB) began their version of "quantitative easing". A massive stimulus plan to spend at least 1.3 trillion euros buying public securities kept interest rates low and sent the Euro down sharply against the dollar. The dollar had appreciated 14% in 2014 against the Euro and rose another 9% in 2015, ending the year at $1.089/Euro. In 2008, the dollar was trading at $1.60/Euro. Most European countries fared better than the U.S., with Germany, France, Belgium, Austria, Italy and Denmark all posting solid gains. Hungary and Ireland led the group, with 44% and 30% returns, respectively. In Asia, China (+9.4%) and Japan (+9.2%) posted near double digit returns. The hardest hit global economies were Greece (-24%), Egypt (-22%) and Turkey (-16%).

As I finish writing this review on Monday evening, January 4th, the global equity markets endured a large sell-off on the first day of trading in 2016. Weaker than expected Chinese manufacturing data stoked global fears about growth, which caused Chinese equities to tumble more than 7% before authorities halted trading. The U.S. markets followed suit, with the Dow Industrials down at one point in the day 470 points before closing down just 276 points. The Dow and the S&P 500 both closed the day down 1.5%, and the NASDAQ slid 2%. Germany lost over 4%, France fell 2.5% and Japan slid 3.1%. With slowing growth in China, increased tensions in the Middle East and weak growth expectations in Emerging Markets, we expect increased volatility to continue well into the New Year.

As we begin 2016, it is important for all investors to review their portfolios to ensure investment allocations are aligned with their desired return and tolerance for risk. We will be in touch with everyone in January to review current market conditions, assess portfolio holdings and returns, and to make changes to any portfolio as needed. Please feel free to call our office at any time to discuss your portfolio in more detail.

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