



HOULIHAN FINANCIAL RESOURCE GROUP, LTD.

FINANCIAL PLANNING & INVESTMENT MANAGEMENT

1st Quarter 2016

Markets are off to a rocky start in 2016 and investor behavior, as much if not more so than fundamentals, could lead to continued weakness. This may provide opportunities to deploy cash into investments at lower prices. However, continued uncertainty about global growth, compounded by the negative news cycle we are bombarded with on a daily basis, has the potential to further the selling pressure we have seen year to date.

Global Outlook:

There is concern that after years of near zero interest rates in the United States and, more recently, negative interest rates in Europe, policy makers have failed to create sufficient global demand for products and labor. As a result, global growth, led by China for the last decade, has faltered. Gross Domestic Product (GDP) in the United States is largely unaffected by China directly but collectively the global economy can, and will, suffer consequences depending on the breadth and depth of China's slowdown. As we have seen in the past, markets often exhibit higher correlations in times of disruption – warranted or not.

Domestic Outlook:

In December, the Fed finally began the process of raising the fed funds rate. Fed Chairman Janet Yellen reiterated in December that future actions will be data-dependent and largely based on economic conditions and labor market statistics. We began the year with the fed funds futures market pricing in a most likely scenario of two increases during 2016. In light of recent events, it would not be surprising to see this prediction come down, with some believing we may see a reversal of rate hikes if growth continues to slow and/or inflation remains under the Fed's target of 2%. This could lead to a prolonged state of relatively low interest rates.

Energy Price Decline:

The drastic decline in oil prices and the impact on economic growth has been a hotly debated topic. The Bears say this could be a demand-driven indicator of a slowing global economy, while the Bulls say low oil prices translate to more money for consumers and lower input prices for many businesses. Low oil could be a tailwind supporting steady and slow growth if consumers spend savings gained from lower gas prices and companies hire as a result of better profit margins. The supply glut-- driven by fracking in the United States, increased production by OPEC and the lifting of sanctions on Iran-- will most likely keep pressure on the price of oil in the near to intermediate term.

Planning is Key:

Liquidity needs and time horizon are extremely important variables to asset allocation and investment direction. For investors who are close to (within five years) or in retirement and relying on their investment portfolios for cash flow, preservation of this cash flow is paramount. We would not want to be forced to liquidate equity in a volatile market. This makes investment allocation a very important topic. Equity investments require a longer time horizon, five years minimum and preferably ten years, to account for the risk factors associated with the asset class.

As mentioned in our last newsletter, we do not view financial planning or cash flow analysis as a static exercise. We know that your lives are fluid and situations and needs may change over time. We encourage everyone to come in at least annually to review cash flow analysis. We believe that in order to get a complete picture of your financial wellbeing, it is important that we review accounts that are not under our active management (such as employer retirement plans and/or 529 accounts). This allows us to make certain we continue to stay on target to meet goals.

Remember to keep us informed of any changes made to your estate planning documents as well as updated beneficiary changes.

We are pleased to welcome our new office manager, Becca Fick, to the team. Becca comes to us from Capital One Bank and has been a fantastic addition. We wish Kristal the best as she pursues a career in international business.

Carlton and his wife, Alyssa, welcomed a baby boy named Lee in November. Everyone is happy and healthy.

As always, we love working with you!

- Patti, Ryan, Carlton, Becca, Sean