SELECTOR® Money Management
2015 Year End Review

2015 Was A Consolidation Year

In the investment world, and in particular with technical analysis as referenced by Investopedia, consolidation can be defined as, “the movement of an asset’s price within a well-defined pattern or barrier of trading levels. Consolidation is generally regarded as a period of indecision, which ends when the price of the asset breaks beyond the restrictive barriers.” With the exception of energy, basic materials, and emerging markets sectors, which suffered double-digit declines, that pretty much sums up both equity and income markets in 2015.

Domestic Equities Staged A Come-back In The Fourth Quarter, But Fell Short

After the very sharp correction in August, domestic equity markets did manage to rally, but only back to break-even levels for the year. In December the bottom of the trading range was tested once again before the traditional ‘Santa Claus rally’ the end of the month. But that, too, faded quickly into year-end. Large Cap equities fared best in 2015. With the help of its 2.11% dividend, the S&P Large Cap 500 Index finished 2015 with a total return of +1.38%. The S&P Mid Cap 400 Index ended the year down -2.18%, including dividends, while the Russell 2000 Small Cap Index closed out 2015 with a loss of -4.41%, including dividends. The best-performing sectors were health care, consumer goods, and technology. The Dow Jones Healthcare Index gained +6.59%, the Dow Jones US Consumer Goods Index gained +6.05%, and the Dow Jones US Technology Index rose +4.1%. The worst-performing sectors were basic materials and energy. The Dow Jones US Basic Materials Index fell -12.43%, and the Dow Jones US Oil & Gas Index dropped -22.03% in 2015. For additional reference, the Dow Jones Industrial Average fell -1.69%, the Dow Jones Utilities Index fell -4.61%, and the Dow Jones Transportation Average Index fell -16.76%.

International Equities Had A More Lop-Sided Experience

Their post-August rally was much weaker. International equities never approached their 2015 highs, nor did they recover their trading range of the first six months of 2015. For the year, the MSCI EAFE Index declined by -0.81%, the S&P Europe 350 Index finished with a loss of -3.02%, and the MSCI Emerging Markets Index declined by -15.20%. The bright spot internationally was the MSCI Japan Index, which registered a gain of +9.57% for the year. The Russia 25/50 Index closed with a gain of +4.51%. But on the other end of the spectrum the FTSE China 50 Index lost -11.14%, and the MSCI Brazil 25/50 dropped -40.95%, which helped dragged the S&P Latin America 40 Index dowm -31.15%.

Bond Market Performance Was Very Muted

Following the bond markets’ third quarter rally that carried into October, they experienced a rather sharp pull-back early November, falling back to the trading ranges that had contained them much of the year. High quality bonds trumped high yield bond returns in 2015, although the returns were all meager. The Barclays US Treasury Bond Index returns for 2015 ranged from +1.76% on the short-term (3-7 year) end to +0.84% on the long-term (+20 year) side, including interest/dividends. The Barclays US Aggregate Bond Index finished 2015 with a gain of +0.55%. The Markit iBoxx USD Liquid High Yield Index ended with a loss of -5.03%. In short, 2015 was a consolidation year for equities and bonds. Not much gained, but not much lost. The rest of the story remains to be told in 2016.

Edward D. Foy
Manager, SELECTOR® Money Management

Foy Financial Services, Inc.
12501 Holdrege Street
Lincoln, Nebraska 68527

SELECTOR
Real-Time Money Management