

# MCBREARTY CAPITAL MANAGEMENT INC.

## Changes to Social Security claiming Strategies:

The Bipartisan Budget Act of 2015 included provisions phasing out two Social Security claiming strategies. If you are between the ages of 62 and 70, these changes may impact you.

The file and suspend strategy will now only be available to those who turned 62 prior to January 2, 2016.

The restricted application strategy will be completely phased out in 2023 when the last of those eligible to use restricted filings turn age 70.

If you are between the ages of 61 and 70 and would like to discuss which claiming strategy would be most beneficial to you, please don't hesitate to contact us.

## MARKET OUTLOOK: APRIL 2016



QUARTERLY NEWSLETTER

The first quarter was certainly one for the books! We officially went into correction territory in January and February but enjoyed a solid rebound in March putting most major market indexes back into positive territory. There are many issues facing today's market. Here are the three main issues we believe are adding volatility to the markets today:

- 1) Interest Rates:** In December the FOMC raised the target range for the federal funds rate by 0.25%. This small step marked the end of a 7 year period during which the rate was held near 0% to support the economic recovery from the worst financial crisis and recession since the Great Depression. We see this as a positive sign that the U.S. economy is strengthening. In March of this year, the FOMC decided to leave rates unchanged. We expect to see two interest rate hikes in 2016 and possibly an additional 4 hikes in 2017 in 0.25% increments. While uncertainty surrounding changes in interest can add to market volatility, historically the stock market has performed well during a rising interest rate environment as long as the hikes were made gradually and in small increments.



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# MARKET OUTLOOK

- 2) **Oil Prices:** There has been a remarkably high correlation between the stock market and oil prices. Many assume stock prices are dropping along with oil prices due to a concern over softening global demand. However, global demand for oil is strong and has actually been on the rise. The recent drop in oil prices is caused by an oversupply.

## Change in production and consumption of oil

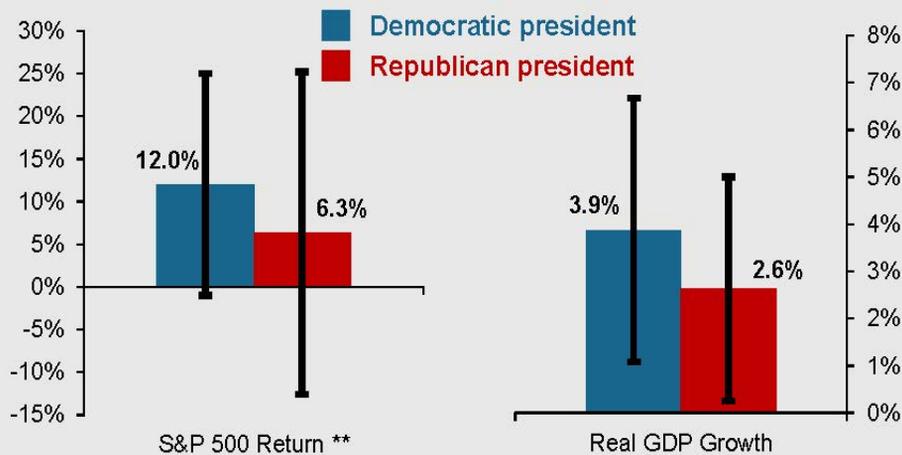
Production, consumption and inventories, millions of barrels per day

	2013	2014	2015	2016*	Growth since 2013
<b>Production</b>					
U.S.	12.4	14.1	15.0	14.5	17.4%
OPEC	37.3	37.2	38.2	39.3	5.1%
<b>Global</b>	<b>90.9</b>	<b>93.3</b>	<b>95.7</b>	<b>96.4</b>	<b>6.0%</b>
<b>Consumption</b>					
U.S.	19.0	19.1	19.4	19.5	2.7%
China	10.5	10.9	11.2	11.5	9.7%
<b>Global</b>	<b>91.4</b>	<b>92.4</b>	<b>93.7</b>	<b>94.9</b>	<b>3.8%</b>
<b>Inventory Change</b>	-0.4	0.9	2.0	1.6	

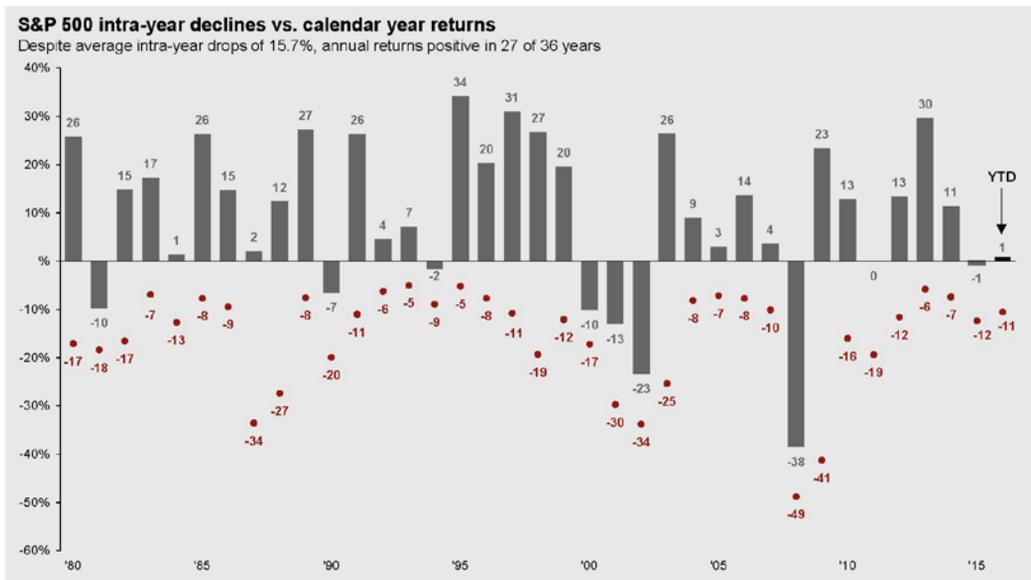
- 3) **Presidential Election:** With a divided government still probable, we should not expect any major policy changes regardless of who wins the Presidential election.

## Market and economic performance under presidents

Avg. annual GDP growth & S&P 500 returns, std. dev., 1949 – 2015



**Market Corrections are part of normal market cycles:** In fact, the S&P 500 has posted positive returns 75% of the time over the last 36 years despite an average intra-year drop of 14.2%.



**Diversification is key:** A volatile market shines a bright light on the need for portfolio diversification. The S&P 500 Index has been one of the best performing asset classes over the last 3 years. However, year to date it is being outperformed by REITs, Emerging Market Equity and Fixed Income. A diverse portfolio with exposure to a variety of asset classes has outperformed the S&P 500 over the last 15 years while experiencing less volatility.

																	2000 - 2015	
2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	YTD	Ann.	Vol.
Comdty. 31.8%	REITs 13.9%	Comdty. 26.9%	EM Equity 56.3%	REITs 31.6%	EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	REITs 5.8%	REITs 12.0%	EM Equity 25.4%
REITs 26.4%	Fixed Income 8.4%	Fixed Income 10.3%	Small Cap 47.3%	EM Equity 26.0%	Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 69.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	EM Equity 5.8%	High Yield 7.9%	REITs 22.0%
Fixed Income 11.6%	Cash 4.1%	High Yield 4.1%	DM Equity 39.2%	DM Equity 20.7%	DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -26.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	High Yield 4.1%	Small Cap 5.8%	Small Cap 2.12%
Cash 6.1%	Small Cap 2.5%	REITs 3.8%	REITs 37.1%	Small Cap 18.3%	REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Fixed Income 3.0%	EM Equity 5.9%	DM Equity 18.6%
High Yield 1.0%	High Yield 2.3%	Cash 1.7%	High Yield 32.4%	High Yield 13.2%	Asset Alloc. 8.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	Large Cap 1.3%	Asset Alloc. 5.7%	Comdty. 18.7%
Asset Alloc. 0.0%	EM Equity -2.4%	Asset Alloc. -5.9%	Large Cap 28.7%	Asset Alloc. 12.8%	Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 16.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.1%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	Asset Alloc. 1.3%	Fixed Income 5.4%	Large Cap 16.7%
Small Cap -3.0%	Asset Alloc. -3.9%	EM Equity -6.0%	Asset Alloc. 26.3%	Large Cap 10.9%	Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 26.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Comdty. 0.4%	Large Cap 4.1%	High Yield 11.5%
Large Cap -9.1%	Large Cap -11.9%	DM Equity -15.7%	Comdty. 23.9%	Comdty. 9.1%	High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Cash 0.1%	DM Equity 2.8%	Asset Alloc. 11.2%
DM Equity -14.0%	Comdty. -19.5%	Small Cap -20.5%	Fixed Income 4.1%	Fixed Income 4.3%	Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.6%	EM Equity -14.6%	Small Cap -1.6%	Cash 1.8%	Fixed Income 3.4%
EM Equity -30.6%	DM Equity -21.2%	Large Cap -22.1%	Cash 1.0%	Cash 1.2%	Fixed Income 2.4%	Comdty. 2.1%	REITs -16.7%	EM Equity -63.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	DM Equity -2.9%	Comdty. 0.8%	Cash 1.0%



**McBrearty  
Capital  
Management, Inc.**

8901 SONY LANE  
KNOXVILLE, TN 37923  
[WWW.MCBREARTYCAPITAL.COM](http://WWW.MCBREARTYCAPITAL.COM)  
(865) 693-5300

## **SOURCE**

JP Morgan Asset Management. March 31, 2016. Guide to the Markets. Market Insights. Retrieved from <https://am.jpmorgan.com/us/en/asset-management/gim/adv/insights/guide-to-the-markets/viewer>