April 2016

BARNES-PETTEY
FINANCIAL ADVISORS, LLC
Independent Registered Investment Advisor

First Quarter 2016: Equity Markets Spring Forward

A quarter ago investors harbored concerns about declining oil prices, an economic slowdown in China, and the damage and volatility that was being done to the domestic equity markets. While concerns still remain, they have been tempered in recent weeks. Oil, for example, has climbed to about $40 a barrel and China's Shanghai Composite has experienced a nice rally of its own. Domestic market performance picked up significantly as well following a volatile January and a relatively calm February. All three major domestic stock indices and the International EAFE index were able to stage a comeback for the month of March. The S&P 500 and the Dow Jones Industrial Average bounced back enough to erase their losses from January and end the quarter in positive territory.

The sharp sell off in the market in August of 2015 followed by recovery plus another sell off in January 2016 followed by another rebound has left investors confused and uncertain about the investment landscape. The volatility in the equity market has been particularly disconcerting given the compressed timeframe in which the market swings have occurred.

Oil

In August of last year West Texas Intermediate Crude peaked and fell sharply in the August through September timeframe, setting in motion the unexpected crisis in the energy industry. Credit stress and a contagion mentality created a downward spiral. September also marked the first rate hike by the Federal Reserve in nine years. However, underlying fundamentals in the economy were little changed and the improved consumer environment offset somewhat deterioration in the energy regions.

Federal Reserve

The Federal Reserve Chair Janet Yellen had indicated that the Central Bank's decision to raise short term interest rates will be data independent, with a primary focus on the job market and the inflation outlook. While the Fed's economic outlook has not changed much since the mid December policy meeting, officials are aware of greater downside risk to growth and therefore expect to proceed "cautiously" in normalizing monetary policy. Investors seem to appreciate Yellen's passive tone and stocks have rallied after her affirmation that the Fed would likely take its time in raising rates. The policy expectations of Fed officials vary, but most anticipate that just two rate hikes this year will be made instead of four.

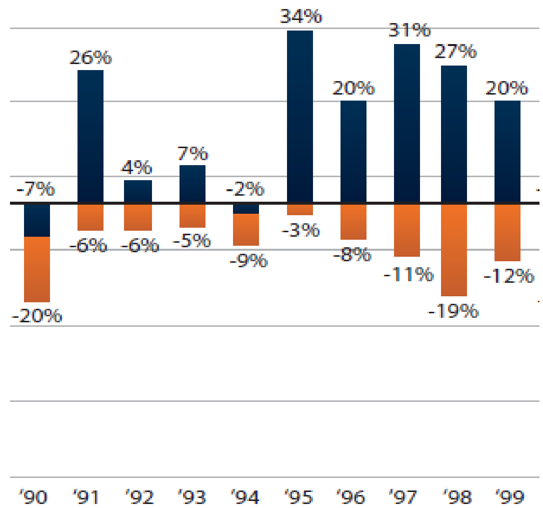
Like Yellen, Raymond James Chief Economist Scott Brown, sees signs of moderate growth and strong consumer fundamentals and housing data, but is keeping an eye on soft business fixed investments and the impact of a strong dollar. Election year uncertainty may also come into play fueling further caution among businesses.

Jeff Saut, Chief Investment Strategist at Raymond James, also remains cautiously optimistic, noting in recent commentaries that underlying fundamentals were positive and that pull backs from the upswing in the market will likely present attractive buying opportunities for investors. "We believe the secular bull market remains in place and has years left to run," Saut wrote during the last week of the month. While GDP growth may be slow, it is sustainable. Employment is being driven by full time jobs and with unemployment at 4.9%, and college degree unemployment at 2.5%, we are near full employment.

The results of the last two years have been disappointing. As I mentioned in the 2014 commentary, the S&P 500 was the only index to return positive numbers. In 2015, almost nothing worked but bonds, and they did not work very well.

Stay the Course

In 2016, at the end of the quarter, we are essentially back where we started the year but the market has again shown its ability to withstand severe and sharp declines. Many of my clients have expressed an opinion that markets did not go down this steep in the 90's but the chart to the right illustrates that markets do tend to have big draw downs even when they end the year at higher levels. Notice especially the years 1997, 1998, and 1999 that the markets were down 11%, 19% and 12% to end much higher later in the year.
Historically markets have rewarded those who stay the course.



*Source: First Trust Portfolios L.P., Bloomberg
See disclosure below

The Clarksdale Flood: March 2016

Lee Drive in Clarksdale connects to my street, Oak Knoll, and was flooded for a week.

This is the first home on my street and the only one flooded.

-The information in this report does not purport to be a complete description of the securities markets, or developments referred to in this material.
-The information has been obtained from sources considered to be reliable, but we do not guarantee that the foregoing material is accurate or complete.
-Any opinions are those of Barnes-Pettey and not necessarily those of RJFS or Raymond James.
-Past performance may not be indicative of future results.
-There is no assurance any of the trends mentioned will continue in the future. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal.
-Standard & Poor's 500 (S&P 500) measures changes in stock market conditions based on the average performance of 500 widely held common stocks. S&P 500 represents approximately 68% of the investable U.S. equity market. MSCI EAFE (Europe, Australasia, Far East): a free cost-adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consist of the country indices of 21 developed nations.
-Investing in the energy sector involves special risks, including the potential adverse effect of state and federal regulation and may not be suitable for all investors.
-Individuals cannot invest directly in any index, and index performance does not include transaction costs of other fees, which will affect actual investment performance. Individual investor's results will vary.
- The Shanghai Composite Index is an unmanaged index of all listed stocks (A and B shares) on the Shanghai Stock Exchange. Investments mentioned may not be suitable for all investors. The Dow Jones Industrial Average (DJIA), commonly known as "The Dow", is an index representing 30 stocks of companies maintained and reviewed by the editors of the Wall Street Journal.
-The benchmark used for the above referenced chart is the S&P 500 Index. The S&P 500 Index is an unmanaged index of 500 stocks used to measure large-cap U.S. Stock market performance. Investors cannot invest directly in an index. Index returns do not reflect any fees, expenses, or sales charges. Returns are based on price only and do not include dividends. This chart is for illustrative purposes only and not indicative of any actual investment. These returns were the result of certain market factors and events which may not be repeated in the future. Past performance is no guarantee of future results.

Dudley M. Barnes, CFP® | Branch Manager | Office 1 662 627 2225 | Fax 1 662 627 2088 |
Barnes Pettey Financial Advisors, LLC | PO Box 1234 | 252 Sunflower Avenue | Clarksdale, MS 38614 | www.barnespettey.com