CORRIGAN FINANCIAL, INC.

Market Update: April 2016

We're now four months into the year, and *nothing* is going according to what the pundits had planned. Their "consensus" originally called for the dollar to strengthen, the Fed to orchestrate four (quarter-point) rate increases, oil prices to plummet, and the global economy to be on the brink of recession. Instead the dollar has weakened, the Fed is now calling for (maybe) two rate hikes, and oil prices have surged. For now, the financial backdrop is relatively stable.

Global stock markets rose 1% in April, and gains are just shy of 2% for the first four months of this year. Still, it's been quite a rebound from the nose-dive that started off the year … with the S&P 500 up about 14% since February 11. Foreign investments, particularly bonds, have outperformed U.S. markets, while commodities and emerging markets have registered strong returns.

> **Pullbacks are likely, and necessary, but modest economic growth and continued low interest rates should help to keep the overall trend moving higher.**
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> **Liz Ann Sonders, Charles Schwab & Co., Inc. – 5/1/2016**

The Commerce Department's initial estimate of Gross Domestic Product (GDP) came in at a disappointing 0.5% for the first quarter of 2016. This is the slowest gain in GDP in over two years. Trade and investment were drags, while the main components of growth - housing, consumption, and government spending - continue to show improvement.

> **Investors should recognize that the headwinds to growth are temporary in nature, and going forward, a weaker dollar and more stable commodity prices should allow U.S. economic growth to move back toward its post-crisis trend.**
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> **J.P. Morgan, Market Insights – 5/2/2016**

China is still the epicenter of global growth fears. George Soros, the famous business magnate/investor, is on record as stating that a *hard landing*in China is inevitable. Simply put, their economy is saddled with too much debt. Others believe that China's one party government will be able to *control* the situation and orchestrate a *soft landing*.

China is paying the price for the past six years of malinvestment that resulted in mountain ranges of empty apartment buildings, vanity infrastructure projects comprised of unused highways, bridges, and exposition centers, and redundant industrial capacity. These projects yielded temporary GDP boosts during construction, but then lapsed into the netherworld of nonperformance, unable to produce the cash flow necessary to service underlying debt.

Jonathan R. Laing – Barron's 5/2/2016

Apparently, currency movements are now the key factor behind stock market performance. In most of the developed economies, stock returns have moved in the opposite direction of currency changes. The Bank of Japan, for example, recently elected not to take additional actions (such as pushing policy rates further into negative territory) to stimulate growth and inflation. This came as a surprise to the markets, resulting in the yen rising and Japanese stocks declining.

Monetary policy has its limitations, and central banks may be running short on ammunition. Arguably, the benefits of zero-base interest rate policies (ZIRP) and negative interest rate policies (NIRP) have run their course … and are now being overshadowed by the unintended consequences.

When interest rates go to zero – and that isn't the endpoint, they could go negative – savers are destroyed. And savers are the bedrock of capitalism. Savers allow investment, and investment produces growth. With interest rates at zero, companies and individual savers sense the futility of taking on risk.

Bill Gross, Janus Capital – Barron's 4/11/2016

Economic growth remains slow, but steady. As a consequence of ZIRP and NIRP, investors will have to accept lower investment returns over the near-term … or at least until the interest rate environment is *normalized*.

If you're in the market for the long-term, you have to accept the market's return whatever it may be … it's better than nothing and certainly no reason to get out of the market.

Jack Bogle, Vanguard Group founder – CNBC 4/27/2016

Many of today's investment concerns are policy driven. More often than not, we find ourselves looking for answers in Washington instead of Wall Street. On a worldwide basis, much that goes on is simply out of our immediate control.
The key to successful wealth management is keeping focus on the areas that we *can* control … such as *establishing* a comprehensive financial plan and *adhering* to investment policy.

With the tax season rush behind us, it's time to update those plans and review those policies!

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