SLAVIC401K

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The markets overall ended 2015 with surprising strength given that some of the important issues negatively affecting market performance were present in Q4 2015. First, heightened terror-related events in France and the U.S. dominated the news. Second, the long-awaited interest rate hike by the Federal Reserve finally took place after nearly a decade of near-zero rates. Third, oil prices plummeted to 10-year lows amidst a glutted global market awash in oil. Lastly, China's struggles economically began to erode its stock market creating global concerns regarding the world's second largest economy.

As the new year began, the above four issues took a toll on the U.S. Stock market as the Dow experienced its worst first trading day of the year since 2001 and the fourth worst in history. The selling has continued into the first full week with the Dow Jones shedding more than 1,000 points and the S&P 500 falling well below 2,000. The issue of isolated terror events has morphed into a much bigger issue as Saudi Arabia and Iran have severed diplomatic ties and Middle East turmoil intensifies. The power vacuum in the region, with no clear leadership from any major power, has the potential of making these market de-stabilizing issues more long term in nature than isolated incidents that quickly fade from importance. China-related economic issues are elevated as debt and potential default issues are now coming into focus.

Despite the immediate negative issues adversely affecting the current market, the relatively stable U.S. economy remains intact; this is the primary reason the Federal Reserve decided to raise rates in Q4 of 2015. The labor market is strengthening in almost all sectors, with the exception of oil-related industries. Consumer confidence, bolstered by $2 per gallon gasoline, produced a better-than-expected Christmas shopping season with online purchasing reaching an all-time high. Consumer-related activity accounts for nearly 70% of GDP. Small business added the most new jobs of any sector, which is the heart of the domestic economy. Construction has been robust; this is an especially good indicator as generally new construction means job growth. Finally, the valuation of the stock market is within historical ranges; therefore, especially after the recent sell-off, the market could begin to stabilize.

What does all of this mean for you as a long-term 401k investor? It means two things. First, it is important to look past the immediate turmoil and keep the long-term goal in mind. Consistent deferrals mean consistent long-term saving and wealth accumulation. Second, risk is always important to assess and account for in your portfolio. Being over-aggressive or ultra-conservative for your portfolio will probably hurt you in the long-run. A properly risk-adjusted portfolio with your age, length of time to retirement and your personal financial issues taken into account are the best elements for long-term success. We are here to help with both online tools and personal investment advice from our representatives. Log on or call us to tap into these resources.

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