Happy New Year! Markets Off to a Choppy Start: January 4, 2016

Global growth concerns and tensions in the Middle East have been the focal points of today's decline, while economic data has also been disappointing. Late in afternoon trading, the stock market is trading near its session low with the S&P 500 (-2.3%) trading ahead of the Dow Jones Industrial (-2.4%) and the Nasdaq (-2.8%).

The new trading year has started on a sharply lower note following overseas action in Asia. The selloff began with weak economic data out of China, which included a disappointing December's Caixin Manufacturing PMI reading (48.2 versus an expected 48.9). This report was followed by a 6.9% plummet in the Shanghai Composite, which ended its day early due to a halt courtesy of circuit breaker provisions. Chinese officials announced plans for the 5% circuit breaker system in December as a measure to prevent the wild swings that accelerated this summer's stock-market crash. But analysts and investors say the circuit breaker could trigger more selling, as the freeze spooks investors and losses snowball, setting off the halt all over again.

Elsewhere, tensions in the Middle East also weigh on the market, as Saudi Arabia suspended diplomatic relations with Iran overnight. This move followed protesters setting fire to the Saudi embassy in Tehran, after the execution of a Shiite cleric by the Saudi government. The initial news lead to an initial increased interest in oil, but the rally was unable to hold. WTI crude currently trades lower by 1.1% at $36.63/bbl.

Like we discussed in our Year End letter, we do not believe that this is a change in the overall trend of the broad markets, nor do we believe this is the start of a bear market. You never want to over react to a big market move like this, whether up or down. We do believe, like our quote from **2016 - The Year Ahead: December 30, 2015**, "Correlation is King" will ring true throughout the year. And like we have been discussing, we will continue to find means of allocating away from traditional beta and incorporating asset classes with imperfect correlations to each other.

As always, we thank you all for your continued support and look forward to discussing any or all of our thoughts at your convenience.

Best regards,

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