



## Shift Commentary: March 21, 2016

As we expected and have discussed with many of you, the Fed announced last Wednesday that they would leave rates unchanged and lowered expectations for future rate increases. Their dot plot charting individual members' expectations now shows that they expect to hike two times this year, down from expectations in December of four 2016 hikes. In the press release, the Fed noted that "economic activity has been expanding at a moderate pace," . . . but "global economic and financial developments continue to pose risks." And the statement also made sure to note the continued strength of the labor market and pointed out that inflation has picked up in recent months, suggesting that the economy is still expanding at a moderate pace. The market's reaction to the Fed's policy statement and Janet Yellen's subsequent press conference has boosted the S&P 500 back into positive territory for the year.

On a related note, we have added a small emerging markets position to the majority of our allocations. The severe underperformance of both EM and commodity prices suggest much of the downside has been priced into these markets. This combined with an outlook of slow, but positive growth and a very cautious Fed, creates a favorable risk-reward backdrop to add a modest position at this time.

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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