

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. To determine which investment(s) may be appropriate for you, consult your financial advisor prior to investing. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and cannot be invested into directly.

Risk Considerations: The economic forecasts set forth in this presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful. Stock investing involves risk including loss of principal. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. International and emerging market investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

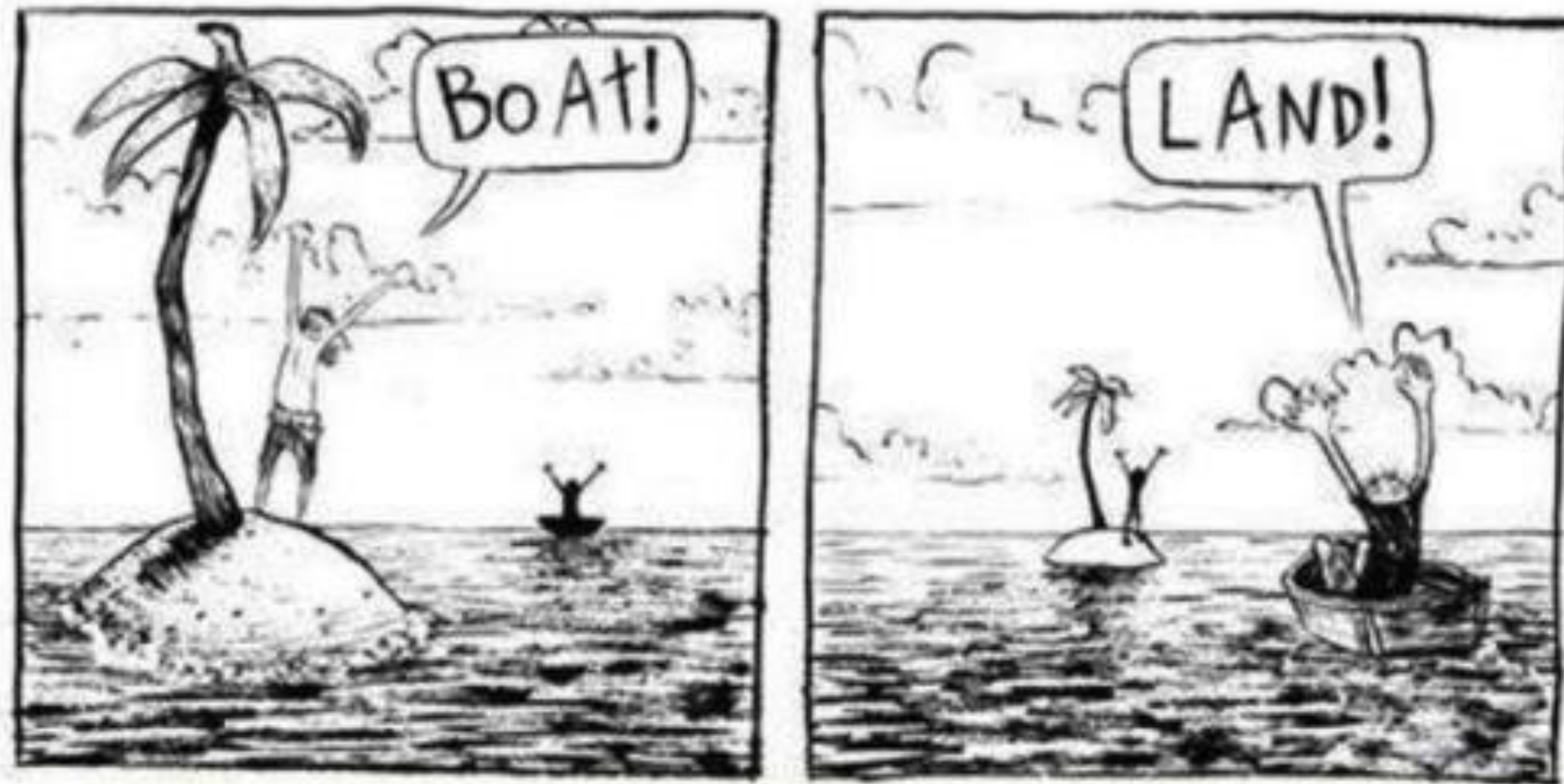




MAHERAS WEALTH MANAGEMENT, INC.

**FORECAST 2016:**  
**IT'S ALL ABOUT**  
**PERSPECTIVE**  
**{Maheras Wealth Management, Inc.}**

Securities offered through "LPL Financial", Member FINRA/SIPC.

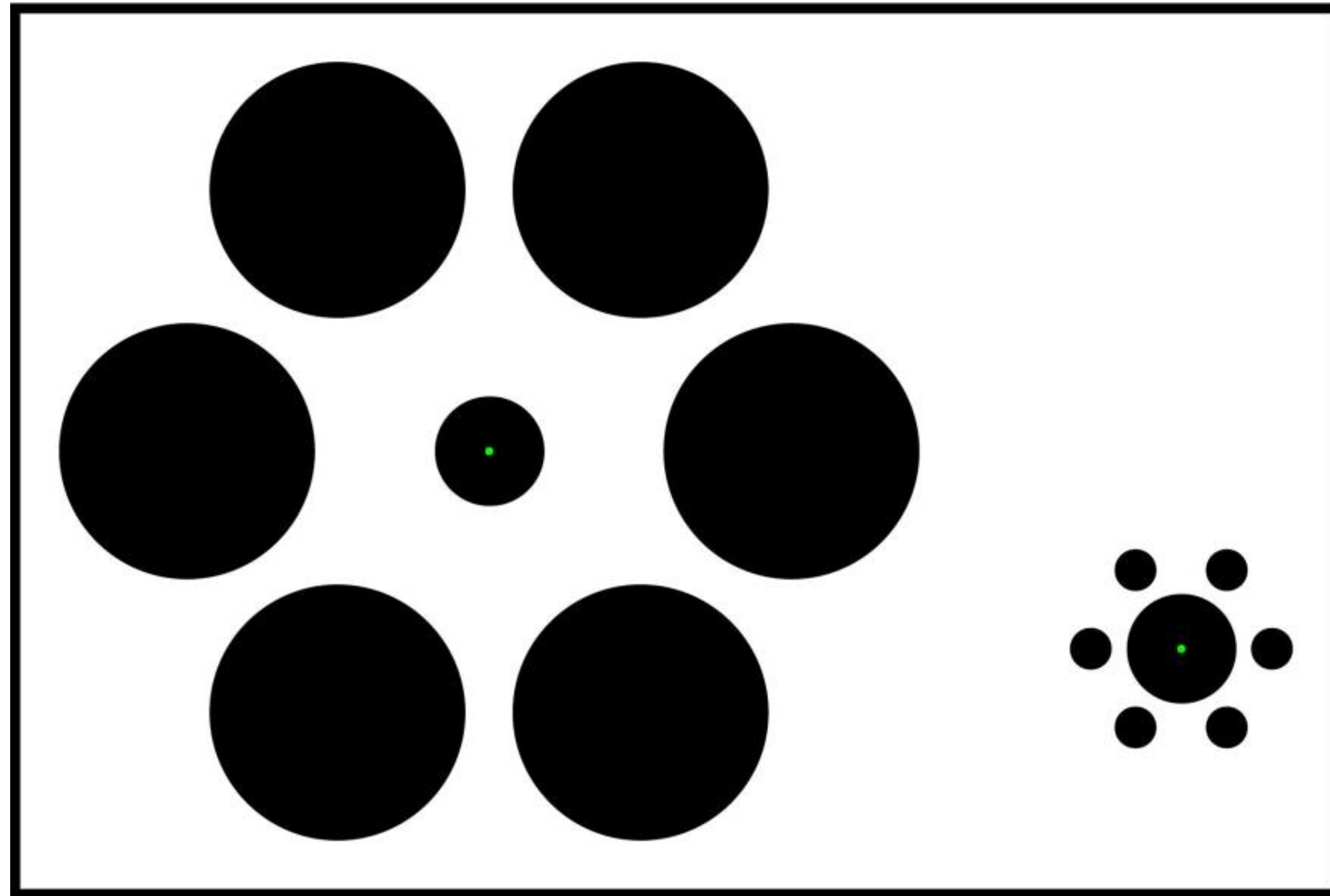


WHERE WE'VE BEEN  
WHERE WE ARE  
WHERE WE MAY BE GOING



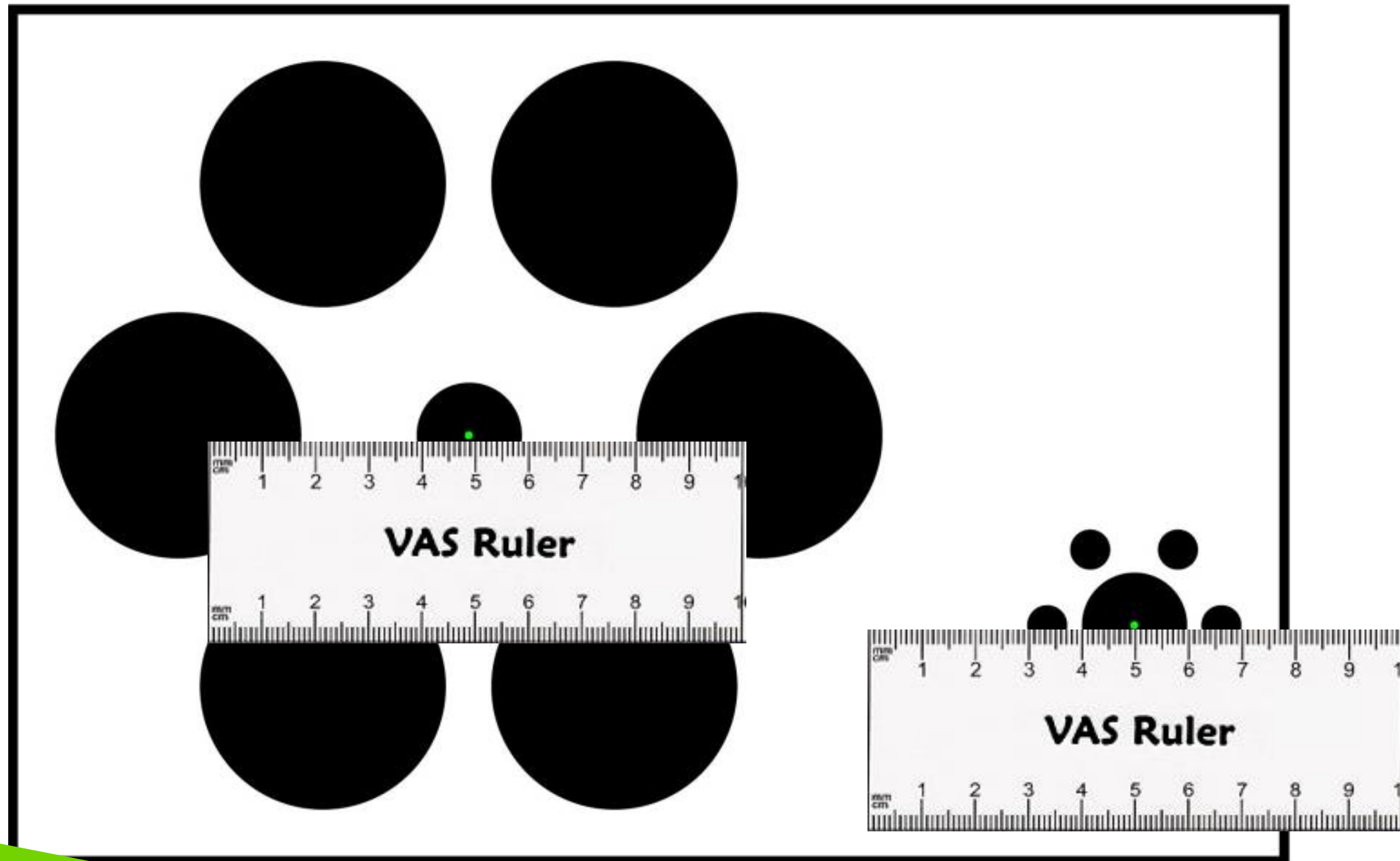
# WHICH CENTER CIRCLE IS LARGER?

WHERE WE'VE BEEN - WHERE WE ARE - WHERE WE MAY BE GOING



# THE EBBINGHAUS ILLUSION: IT'S ALL ABOUT CONTEXT

WHERE WE'VE BEEN - WHERE WE ARE - WHERE WE MAY BE GOING







IT'S ALL ABOUT

# PERSPECTIVE





IT'S ALL ABOUT

# PERSPECTIVE





# A REST DURING A HIKE AROUND THE LAKE

WHERE WE'VE BEEN - WHERE WE ARE - WHERE WE MAY BE GOING





# ISN'T REALLY THAT AT ALL

WHERE WE'VE BEEN - WHERE WE ARE - WHERE WE MAY BE GOING



# WHERE WE'VE BEEN



Standard & Poor's 500 Index: -0.73%

10-year U.S. Treasury Bond Yield: 2.27%

MSCI World Index: -2.74%

MSCI Emerging Markets Index: -16.96%

Gold: -11.42%

Commodities: -24.70%



# 2015 WAS A VOLATILE YEAR FOR U.S. MARKETS

31/12/2015 Close 2,043.94 Open 2,060.59 High 2,062.54 Low 2,043.62 Volume 482.60m

S&P 500 Index

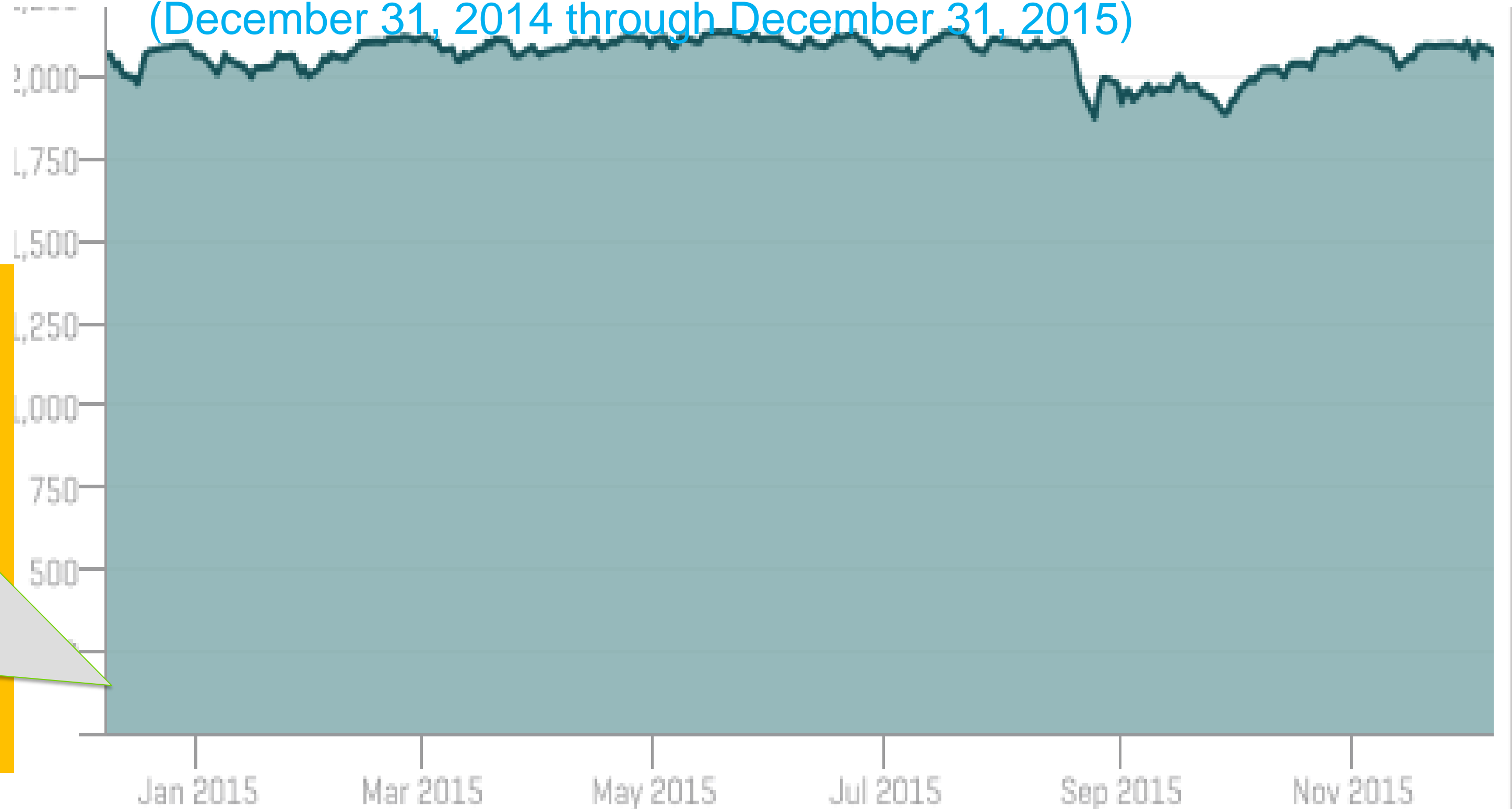


Source: Financial Times

# BUT IT'S ALL ABOUT HOW YOU LOOK AT IT

## Standard & Poor's 500 Index

(December 31, 2014 through December 31, 2015)

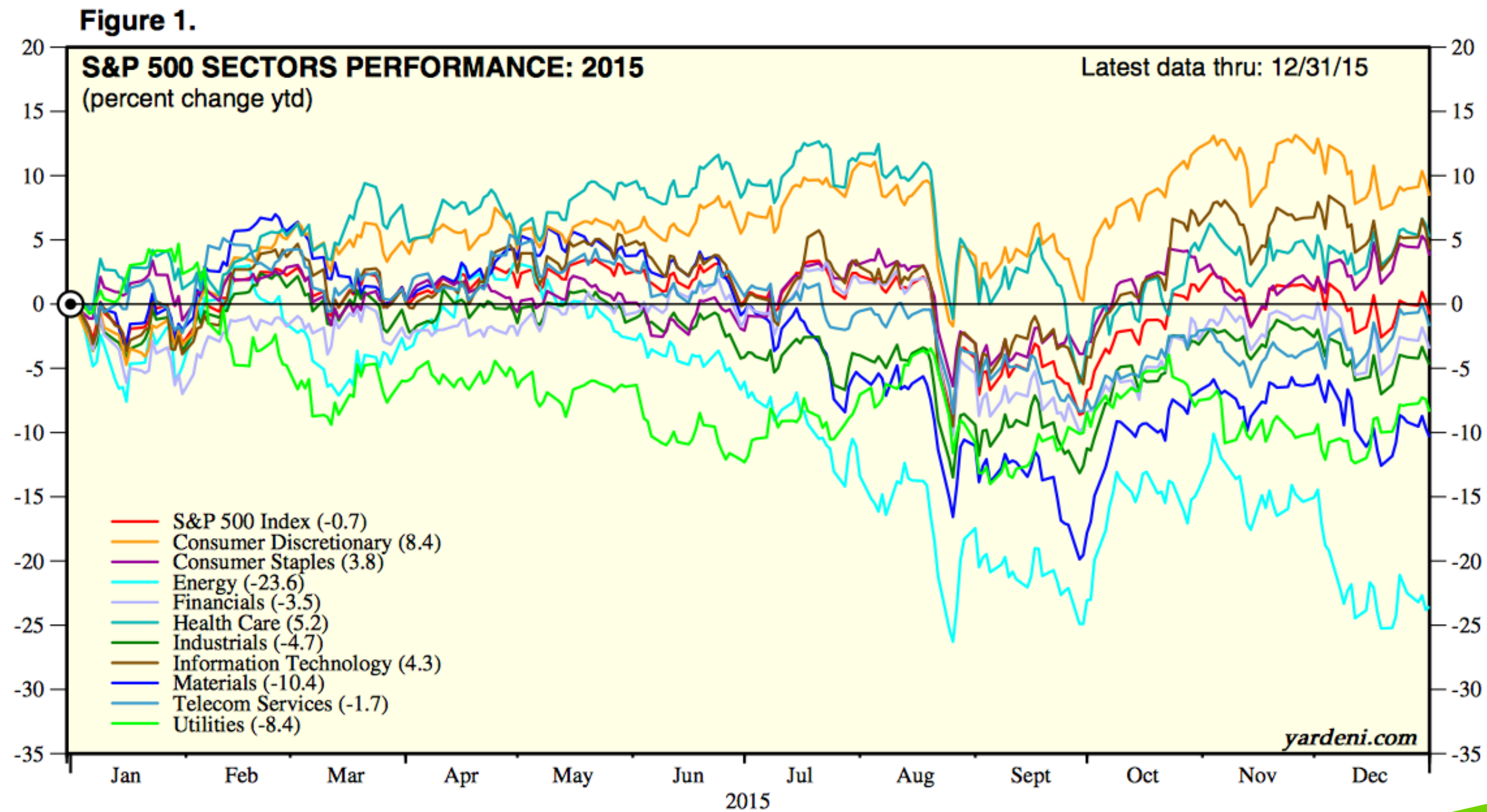


The S&P 500 Index was introduced on March 4, 1957. It closed the trading day at \$44.06.



# SOME SECTORS OF THE S&P 500 INDEX PERFORMED BETTER THAN OTHERS

## S&P 500 Sectors Performance

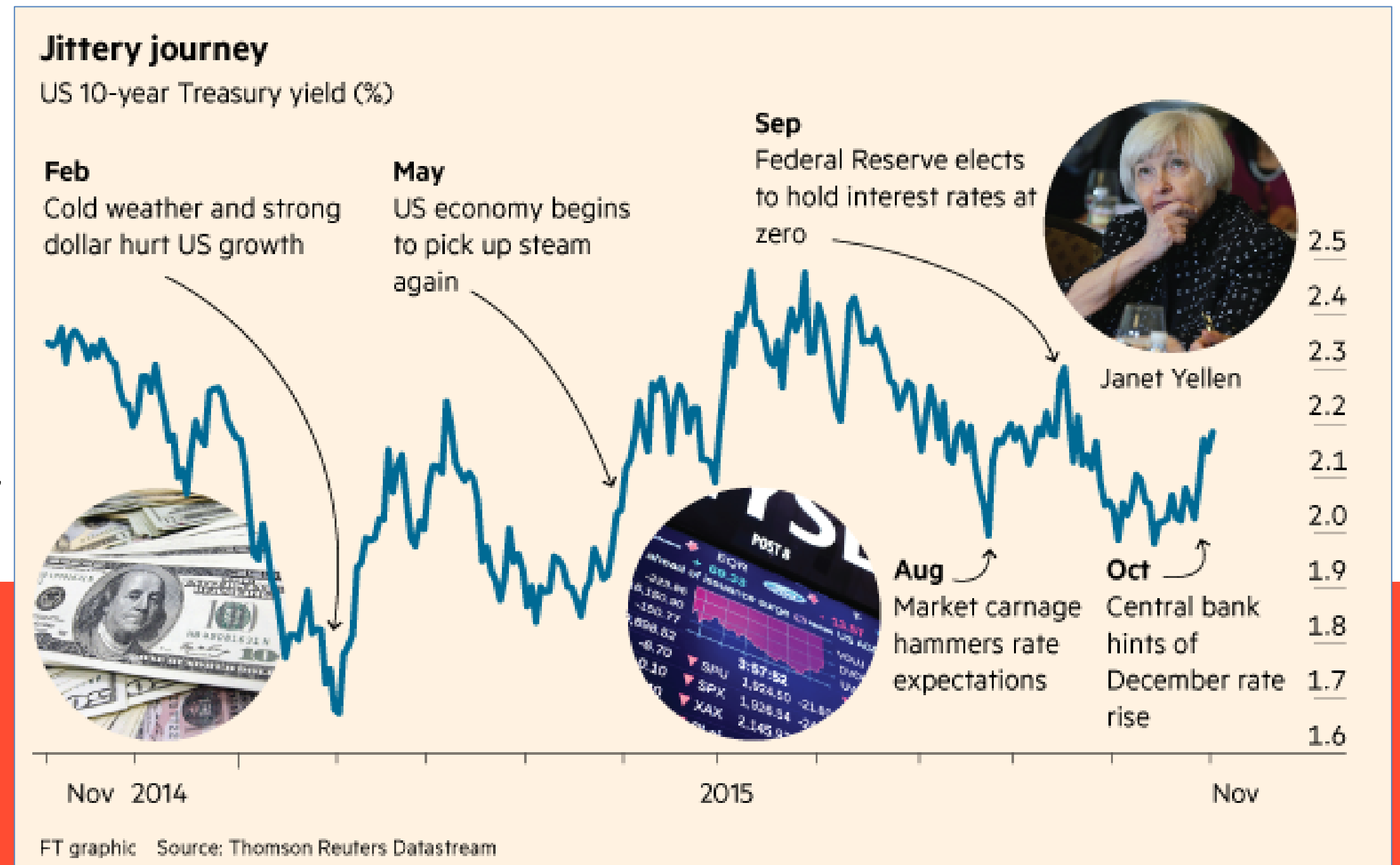


Source: Standard & Poor's Corporation.

# UNCERTAINTY PLAYED A ROLE IN STOCK AND BOND MARKETS

“Many investors welcome the prospect of policy action...after mounting concerns that the Fed’s procrastination has exacerbated uncertainty rather than calming it.”

*--Financial Times, Nov. 3, 2015*





# THE BIPARTISAN BUDGET ACT

## Social Security claiming strategies disallowed:

- Claim and Suspend (a.k.a. file and suspend strategy)
- Claim Now, Claim More Later (a.k.a. restricted application strategy)

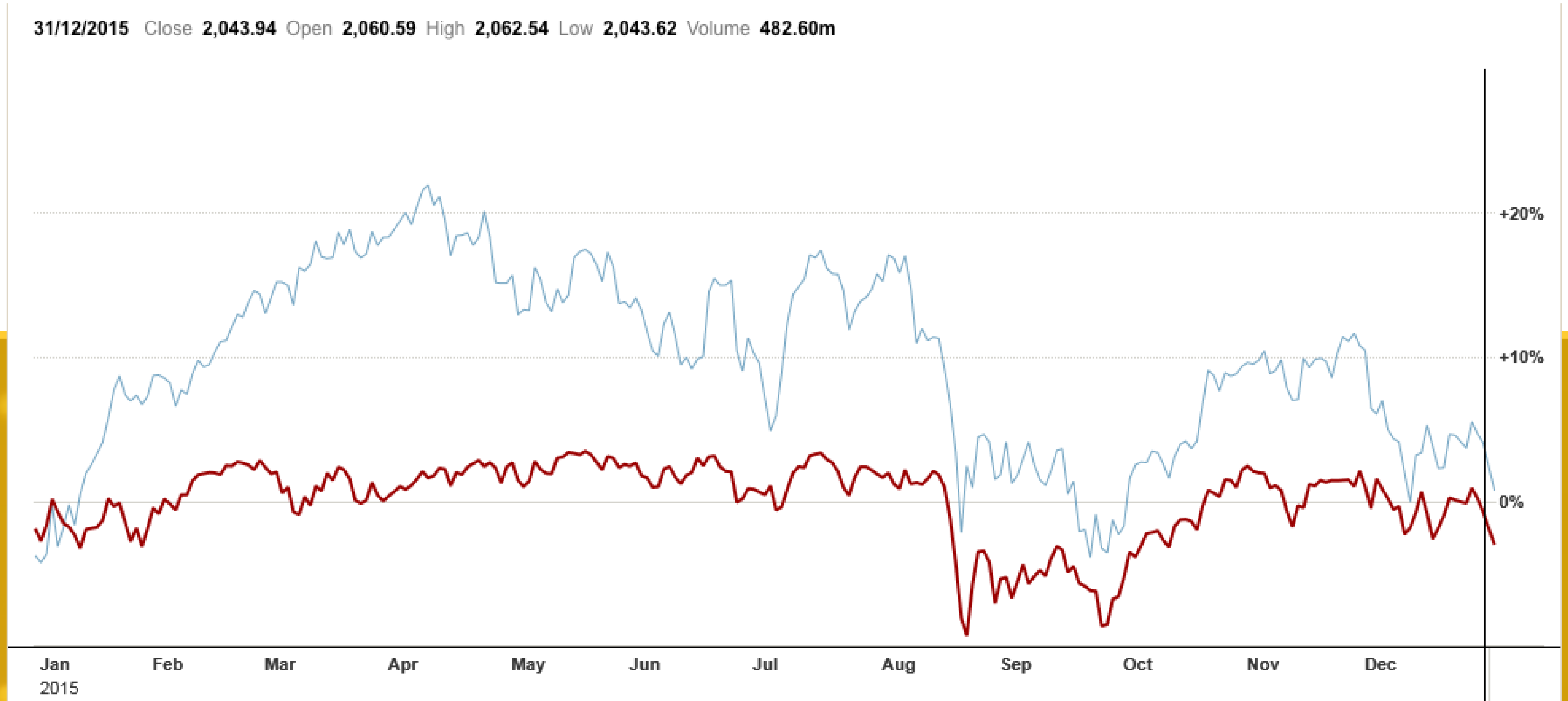
## Medicare Part B premiums

- One-in-seven Medicare beneficiaries will pay higher premiums in 2016.
- The Act limited the premium payment amount to \$121.80 (up from \$104.90 in 2015, but less than the proposed \$159.30).

# EUROPE WAS VOLATILE DURING 2015, TOO

## S&P 500 Index DJ STOXX 50 Index

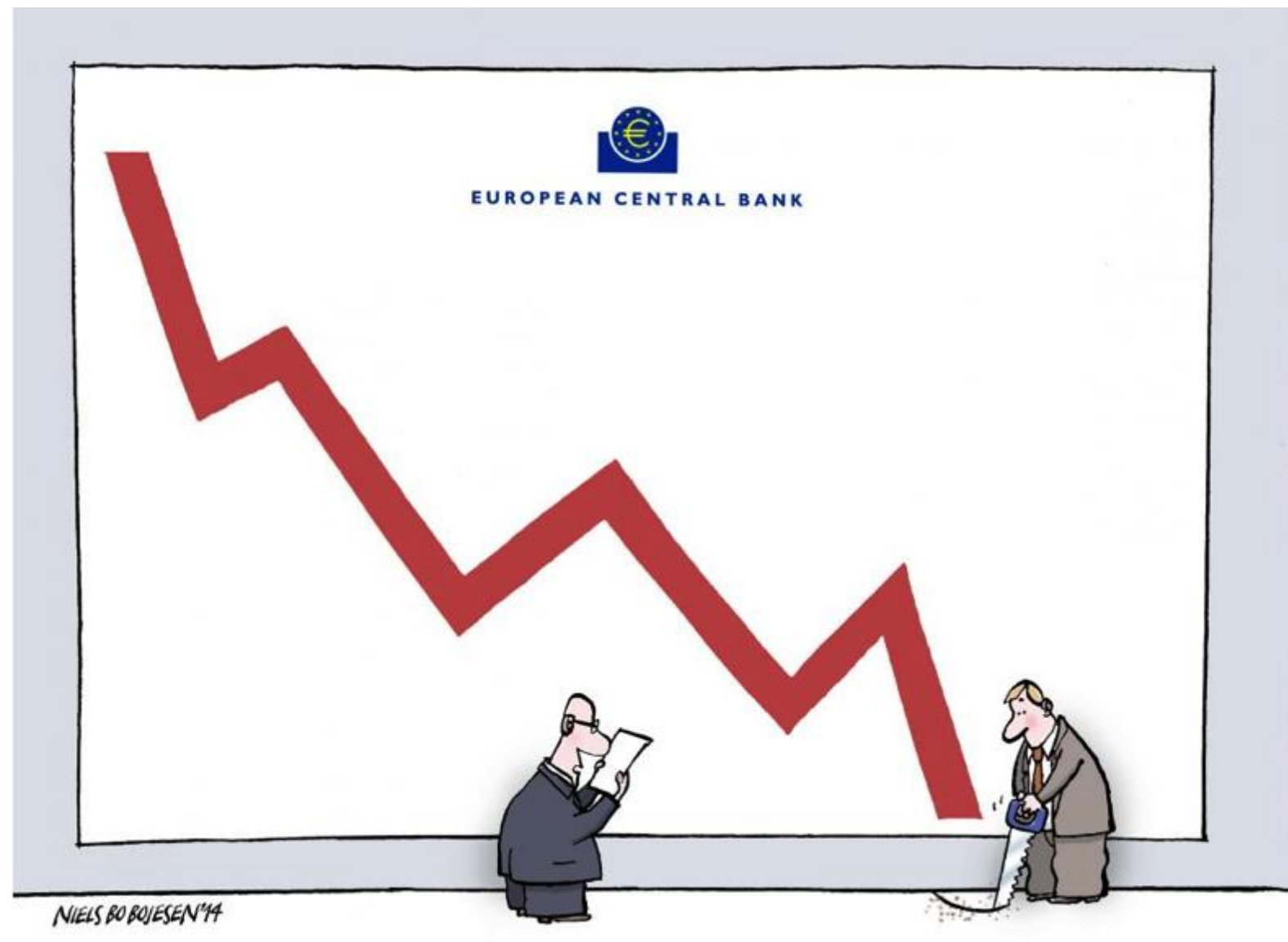
31/12/2015 Close 2,043.94 Open 2,060.59 High 2,062.54 Low 2,043.62 Volume 482.60m



Source: Financial Times



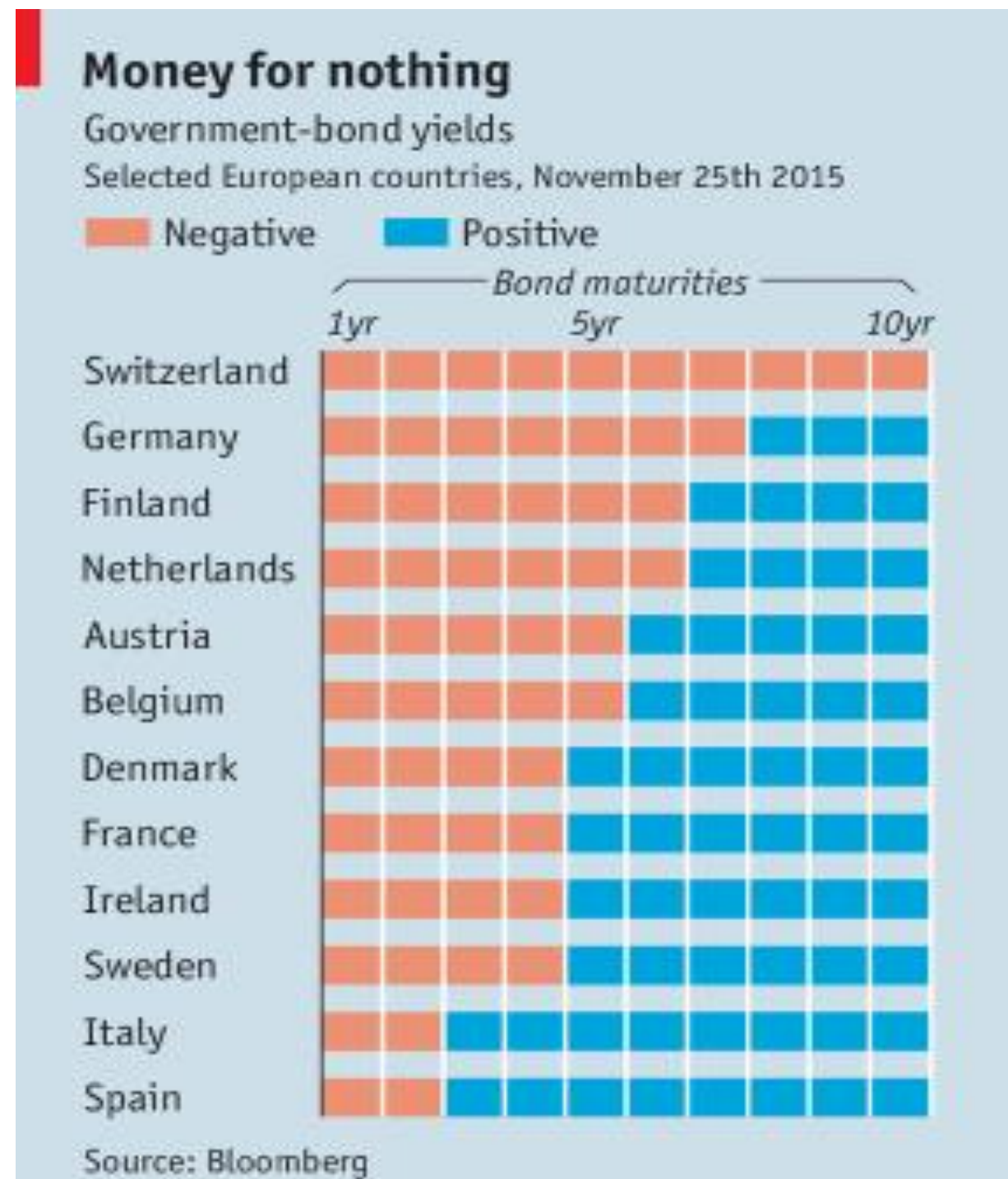
# EUROPEAN RATES ARE BELOW ZERO—AND FALLING



“Not so long ago, the lowest possible interest rate was thought to be zero.”

-- *The Economist*, Nov. 28, 2015

# NEGATIVE RATES AND EUROPEAN GOVERNMENT BOND RETURNS



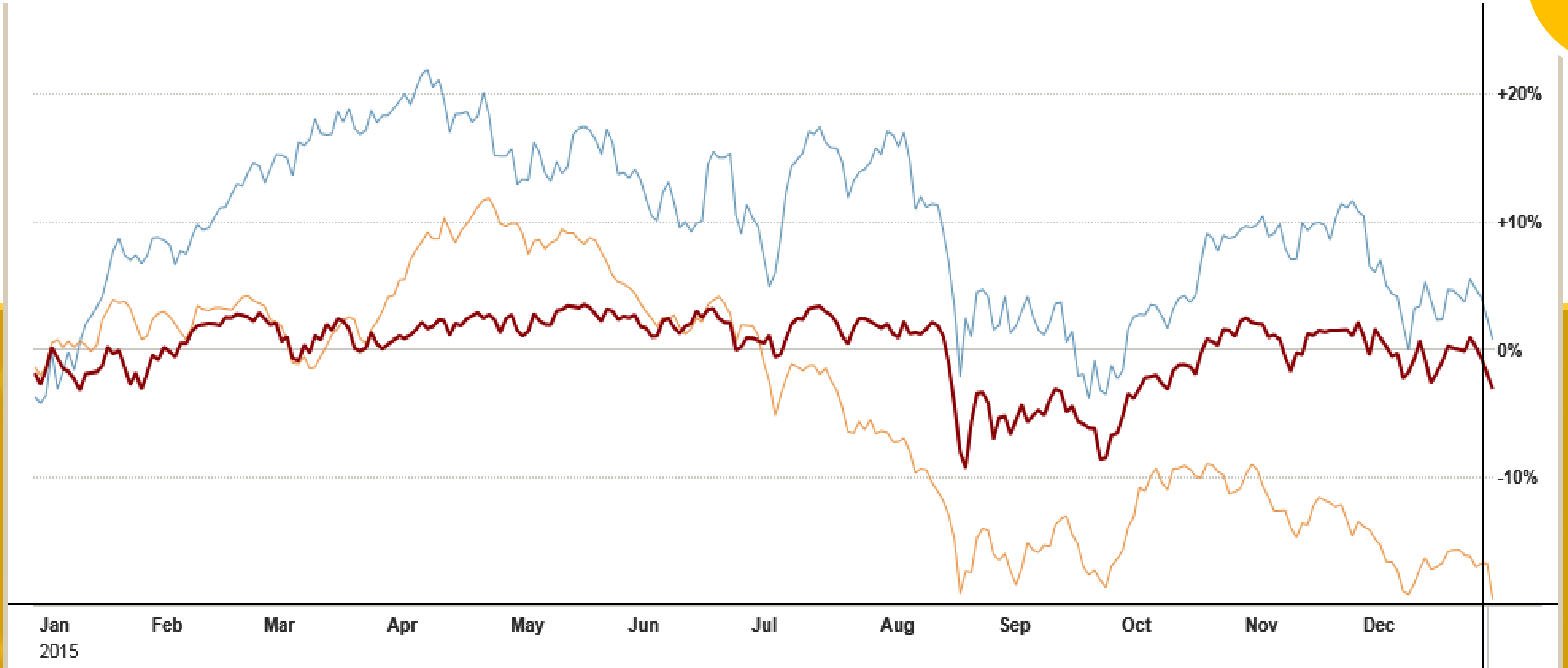
Negative interest rates persist in Europe as the European Central Bank and other national banks try to:

- Encourage lending to spur economic growth
- Push inflation higher
- Stabilize currency



# ANOTHER PERSPECTIVE: U.S. AND EUROPE WERE BOTH CALMER THAN EMERGING MARKETS

**S&P 500 Index** DJ STOXX 50 Index **MSCI Emerging Markets Index**



Source: Financial Times



**SLOWER GROWTH**

# **IN EMERGING COUNTRIES**

**Three factors that have supported economic growth in emerging countries that have taken an unfavorable turn:**

1. Trade growth has slowed
2. Commodity prices have collapsed
3. Financial conditions are difficult—facing a period of rising rates and tighter U.S. monetary policy

Source: European Central Bank, The BBC

International and emerging market investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.



# IT WAS (ANOTHER) TOUGH YEAR FOR EMERGING MARKETS

Into EM:  
\$548 billion

+

Out from EM:  
\$1.08 trillion

=

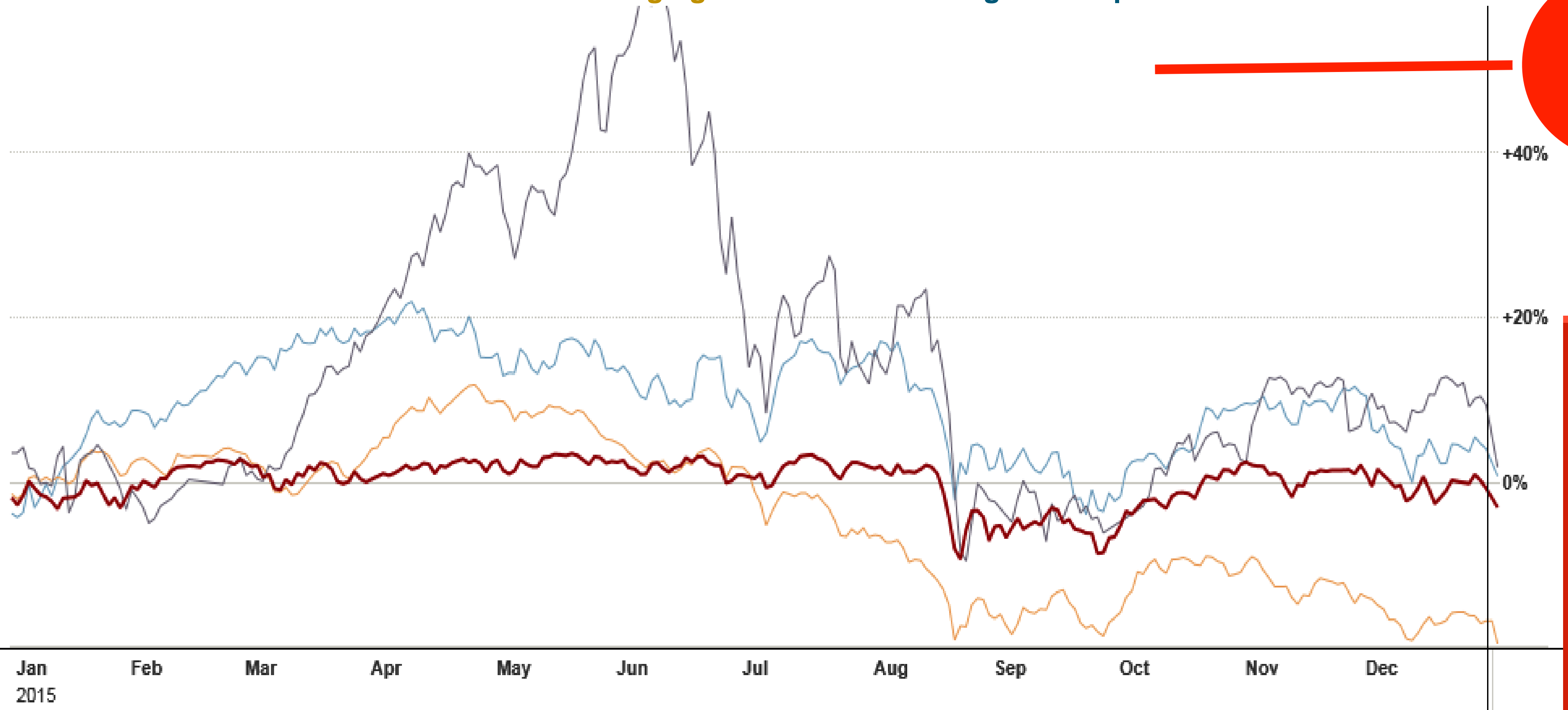
Net capital  
outflow:  
\$540 billion

“The past year was a lousy one for investors in emerging markets...And this wasn’t the first bad year for emerging, or the second, or the third...things have been quite bad for half a decade now.”

*--Ben Inker, GMO*

# WHEN CHINA IS ADDED TO THE MIX, EVEN EMERGING MARKETS LOOK RELATIVELY CALM

**S&P 500 Index** DJ STOXX 50 Index **MSCI Emerging Markets Index** **Shanghai Composite Index**

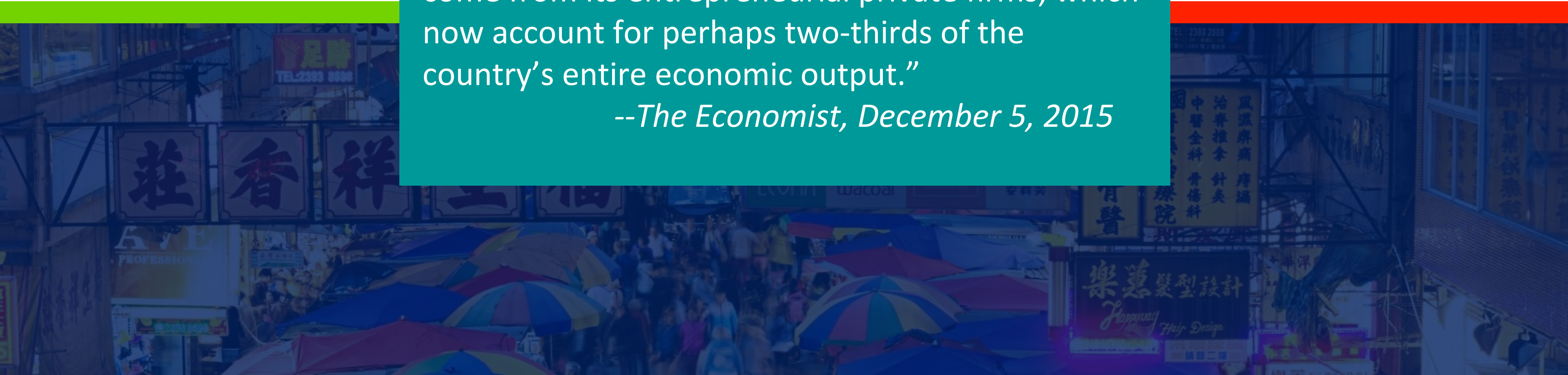




# THINGS ARE NOT ALWAYS WHAT THEY SEEM IN CHINA

“THERE was a time when China’s biggest state-owned enterprises were seen as the country’s crown jewels...In fact, China’s big state firms were largely a bloated, inefficient, and cosseted lot. The real dynamism in the Chinese economy has long come from its entrepreneurial private firms, which now account for perhaps two-thirds of the country’s entire economic output.”

*--The Economist, December 5, 2015*



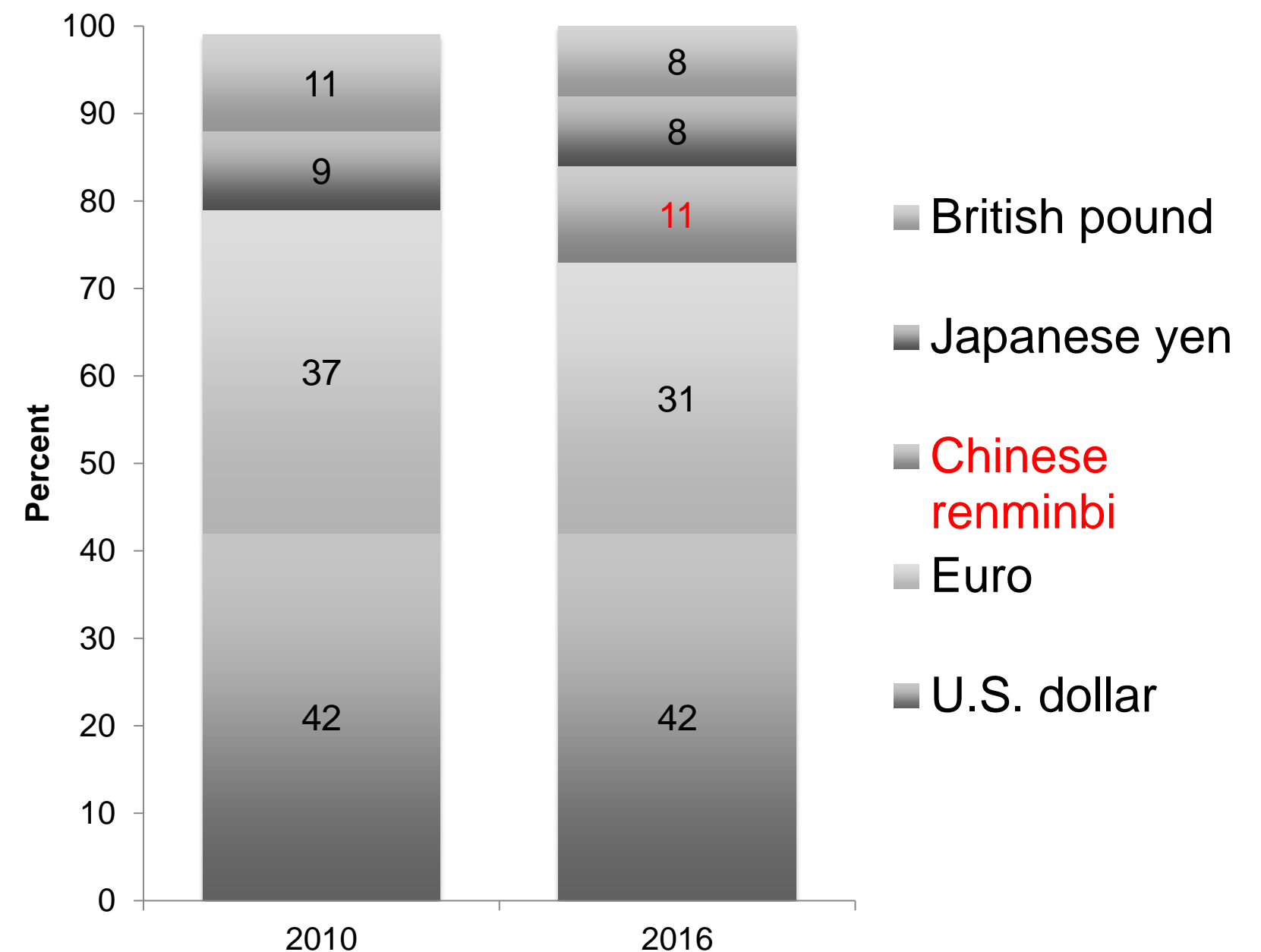


# CHINA'S CURRENCY GAINED STATUS

“[The] decision to include the RMB in the SDR basket is an important milestone in the integration of the Chinese economy into the global financial system. It is also a recognition of the progress that the Chinese authorities have made in the past years in reforming China’s monetary and financial systems.”

*--Christine Lagarde,  
Managing Director IMF*

The IMF is adding the Chinese renminbi to its basket of currencies in October 2016





**WHERE WE ARE NOW:**  
**IN AN ELECTION YEAR**





# WITHOUT THE COLBERT REPORT!

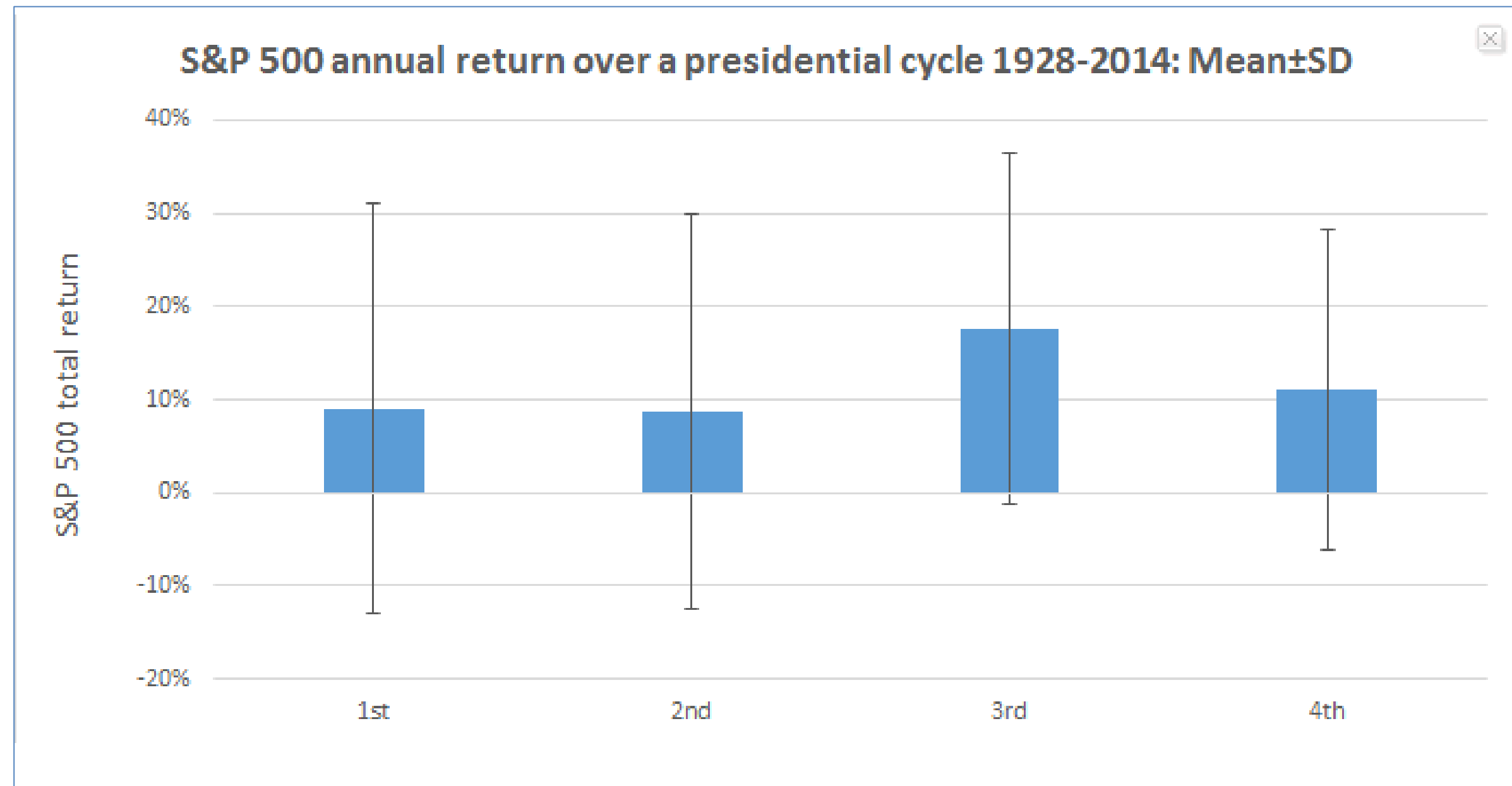
“I love making observations.  
That one is a classic example.”  
*--Stephen Colbert*



# PRESIDENTIAL ELECTION CYCLES AND STOCK RETURNS

“...For the past 87 years, any impact that the presidential cycle has had on stock market returns is indistinguishable from chance.”

*--Seeking Alpha*



# DOES IT MATTER WHO WINS THE ELECTION?

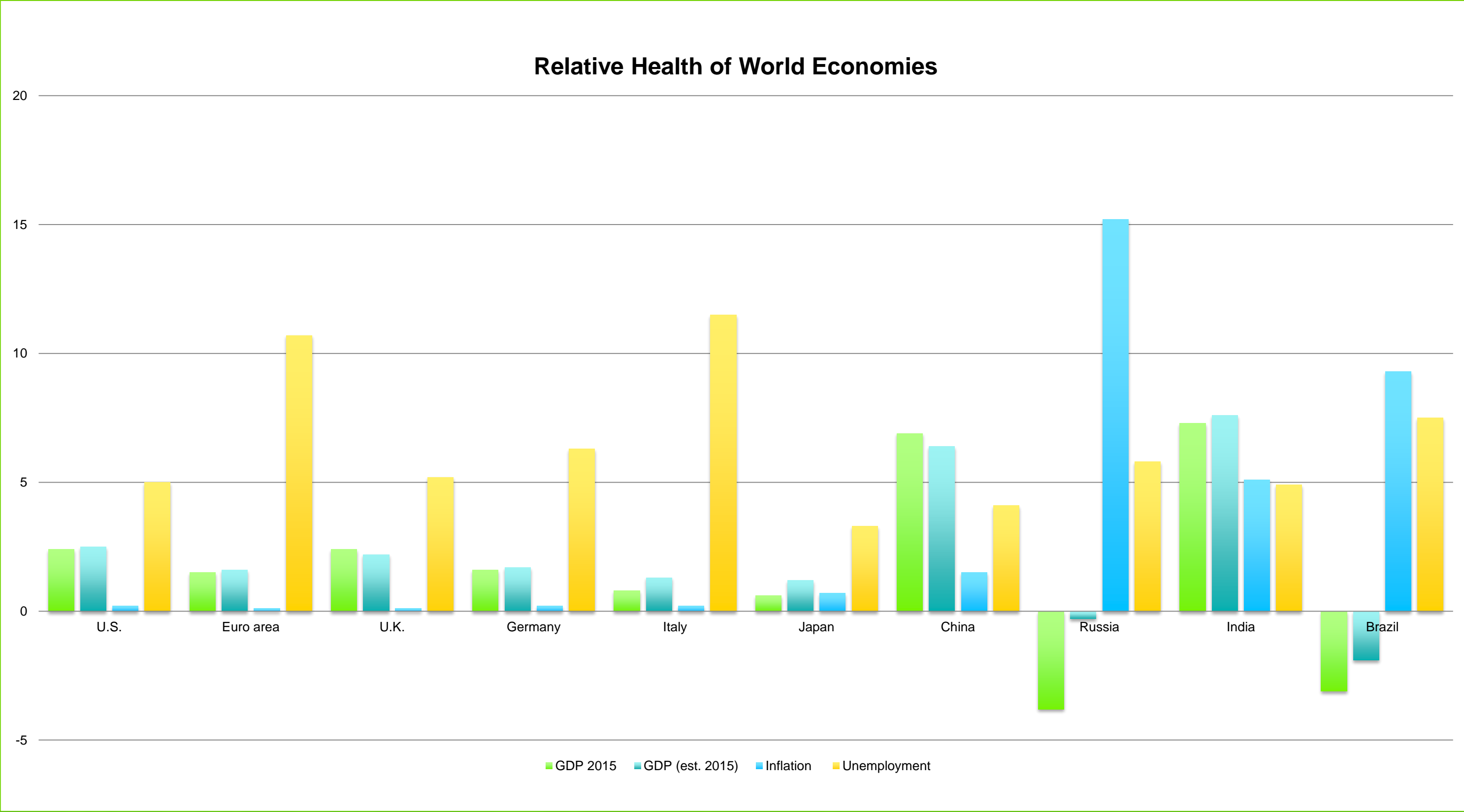
## It all depends on:

- Who you ask
- Time period measured
- Measurement chosen (Stock market performance, economic growth, etc.)

## U.S. business cycles don't match presidential terms

START RECESSION	END OF RECESSION/ START OF EXPANSION	END OF EXPANSION	PRESIDENT
Nov. 1973	March 1975	Jan. 1980	Nixon, Ford, Carter
Jan. 1980	July 1980	July 1981	Carter, Reagan
July 1981	Nov. 1982	July 1990	Reagan, G. Bush
July 1990	March 1991	March 2001	G. Bush, Clinton
March 2001	Nov. 2001	Dec. 2007	Clinton, G.W. Bush
Dec. 2007	June 2009	?	G.W. Bush, Obama

# RELATIVE HEALTH OF SOME WORLD ECONOMIES



Source: The Economist





# THE PRICE OF OIL HAS FALLEN

From \$106/barrel  
to about \$40/barrel



# IT WAS 1969

In June of 1969, the price of oil was just over \$3/barrel.

**Jimi  
Hendrix**



**New York Mets**



**Cost of a 30-second  
Super Bowl ad:  
\$55,000**





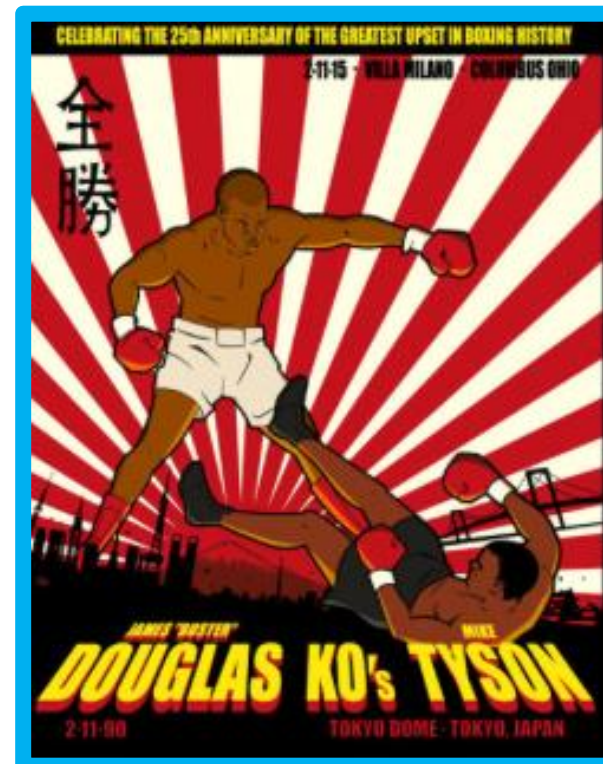
# IT WAS 1990

In June of 1990, the price of oil was more than \$15/barrel.

**Milli  
Vanilli**



**Buster Douglas  
defeats Mike Tyson**



**Cost of a 30-second  
Super Bowl ad:  
\$700,000**





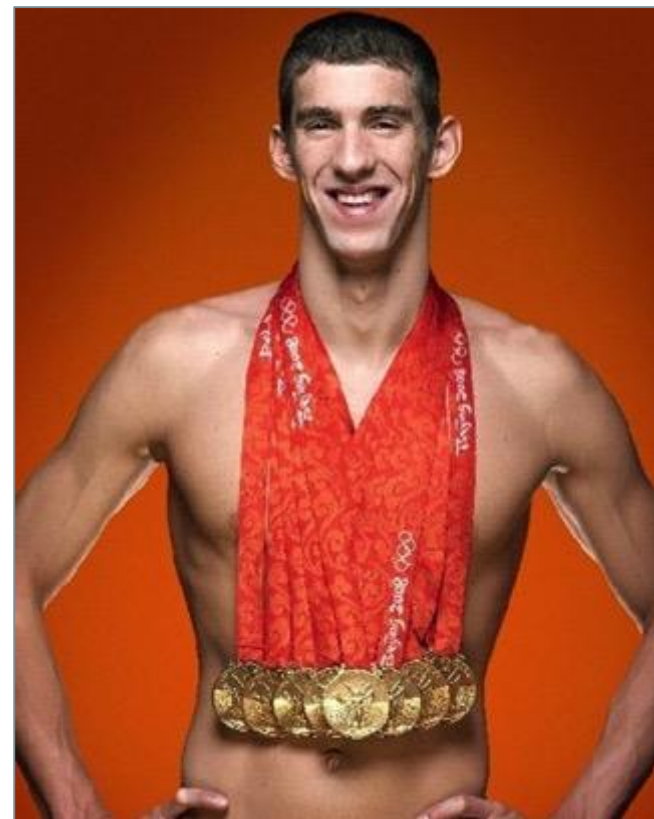
# IT WAS 2008

In June 2008, the price of oil was just over \$144/barrel.  
On the last day of the year, it was almost \$36/barrel.

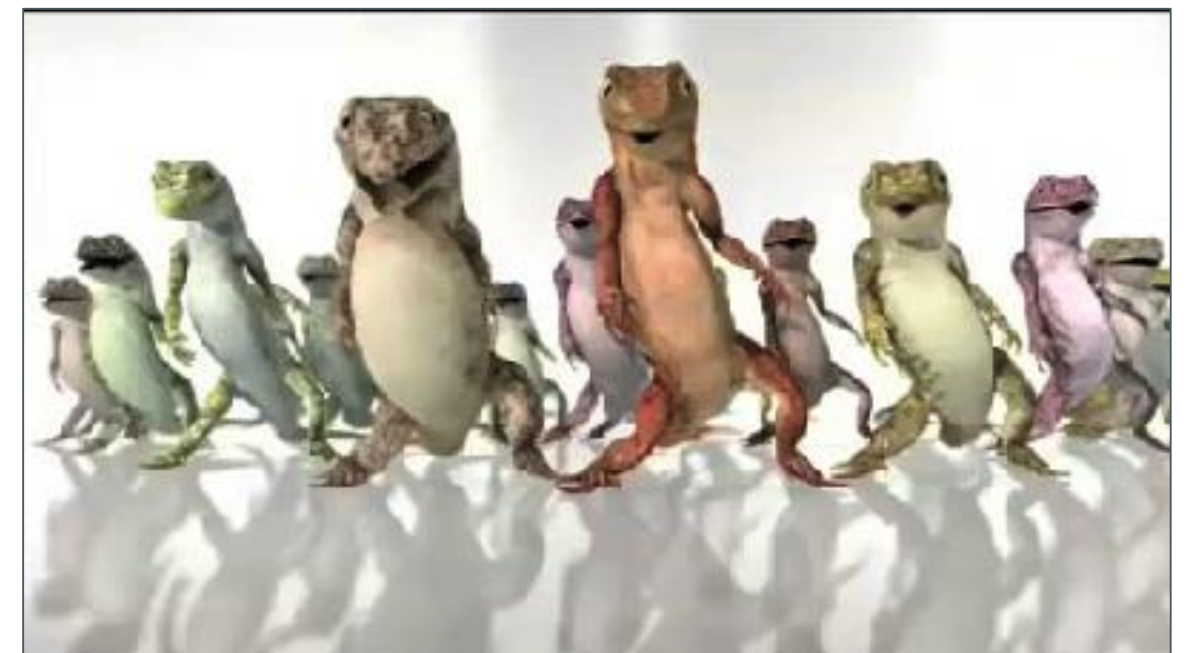
**Christina  
Aguilera**



**Phelps won 8  
gold medals**



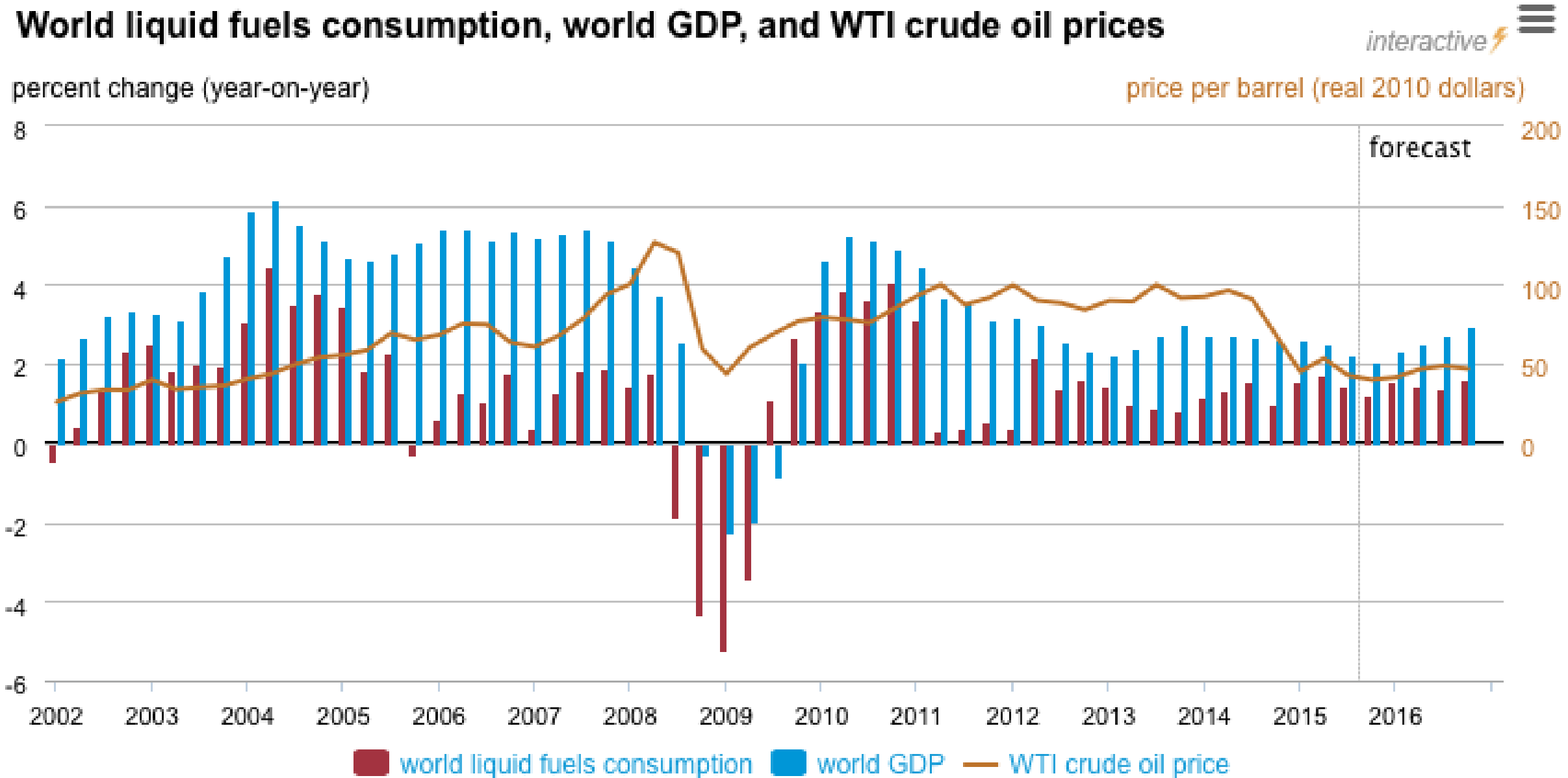
**Cost of a 30-second  
Super Bowl ad:  
\$2,700,000**





# U.S. ENERGY INFORMATION ADMINISTRATION: OIL PRICES ARE ABOUT RIGHT

Rising oil prices held down global oil consumption growth from 2005-2008 despite high economic growth



Source: U.S. Energy Information Administration, Thomson Reuters  
Updated: Monthly | Last Updated: 12/08/2015



# DIVERGENT CENTRAL BANK MONETARY POLICIES



# PROS AND CONS OF CONFLICTING CENTRAL BANK POLICIES

“The short-term implications for investors include a stronger dollar, greater equity market volatility, and a wider trading range for key interest rate differentials. The longer-term consequences are up for grabs...”

*--Mohamed El-Erian,  
Chair of Global Development Council*

# MARKETS HAVE BEEN BEHAVING ODDLY

“[Price-insensitive] buyers have been the explanation behind a whole series of market price movements that otherwise have not seemed to make sense in a historical context...It is worth recognizing that investors prepared to buy assets without regard to the price of those assets may also find themselves in a position to sell those assets without regard to price as well.”

*--Ben Inker, GMO*



# ARE U.S. STOCK VALUATIONS HIGH? SOME SAY “NO”



“...With long government bond yields stuck below 3.0% and likely to remain there for some time, we see investors as gradually coming to the realization that equities, with their growing cash-flow streams on the back of solid business prospects, are worth far more than current levels. Indeed, we expect that before this bull market is over, we will see forward P/E multiples on equities move into the low-to-mid 20s.”

*--Stephen Auth,  
Chief Investment Officer at Federated*



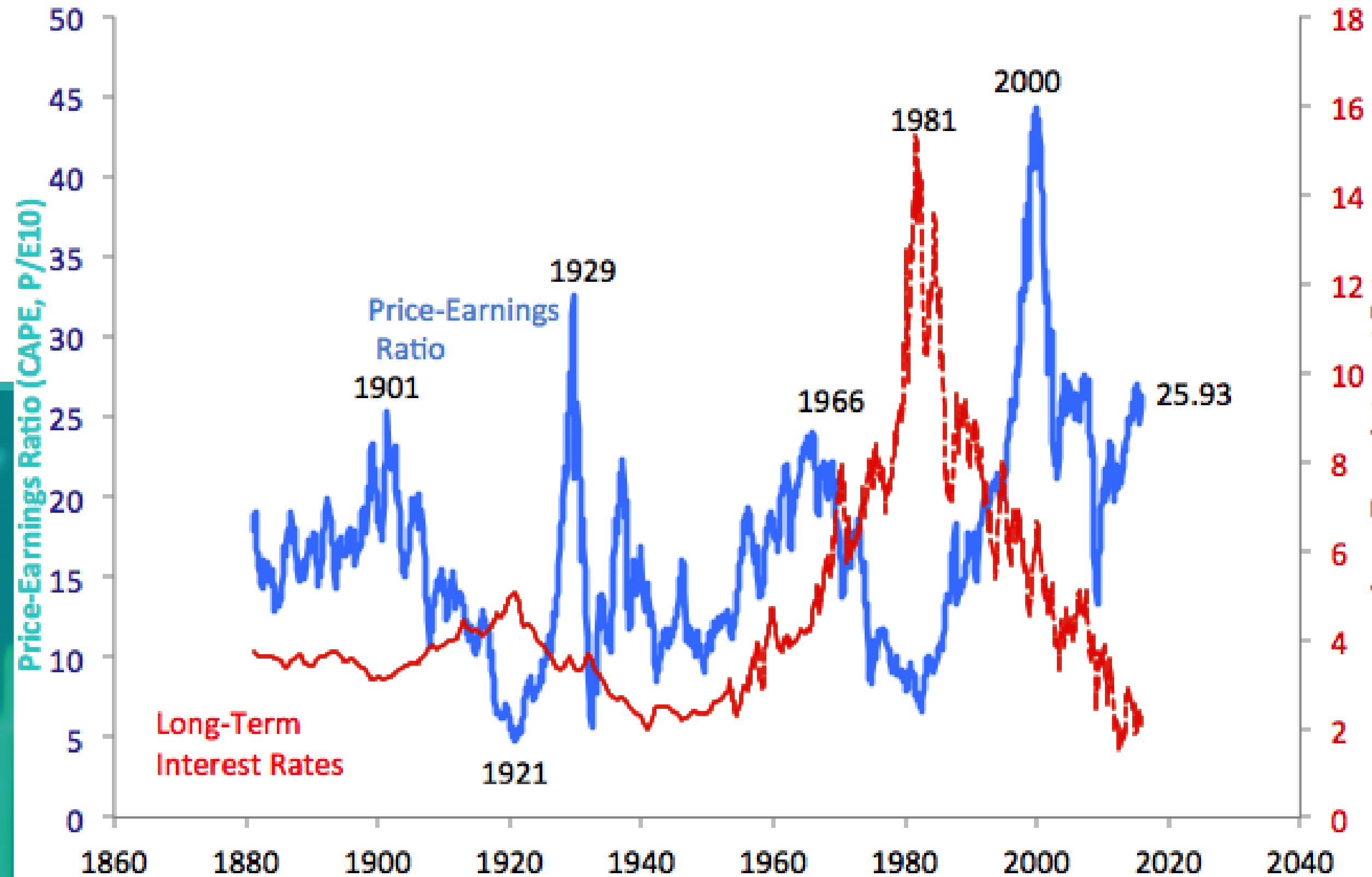
# ARE U.S. STOCK VALUATIONS HIGH? SOME SAY “YES”



“...according to several historically valid measures, stocks are now more expensive than they have been at any time in the past 130 years.”

*--Henry Blodgett, Stock analyst and  
Founder of Business Insider*

# THE SHILLER CAPE (P/E 10) INDICATES VALUATIONS ARE HIGH

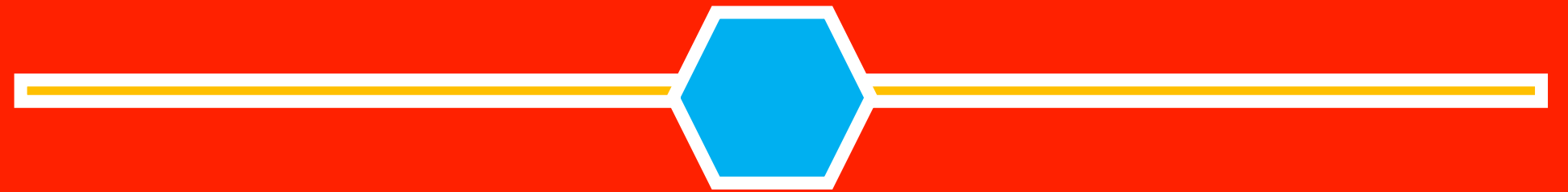


\*CAPE= Cyclically Adjusted Price-to-Earnings

Source: The Shiller CAPE



# ARE U.S. STOCK VALUATIONS HIGH? SOME SAY “IT DOESN’T MATTER”



“Our work suggests that valuation is a poor short-term timing indicator, but the single-most important determinant of long-term returns.”

*--Savita Subramanian,  
Managing Director and Head of  
United States Equity and Quantitative  
Strategy in Global Macro Research*



# WHERE WE MAY BE GOING



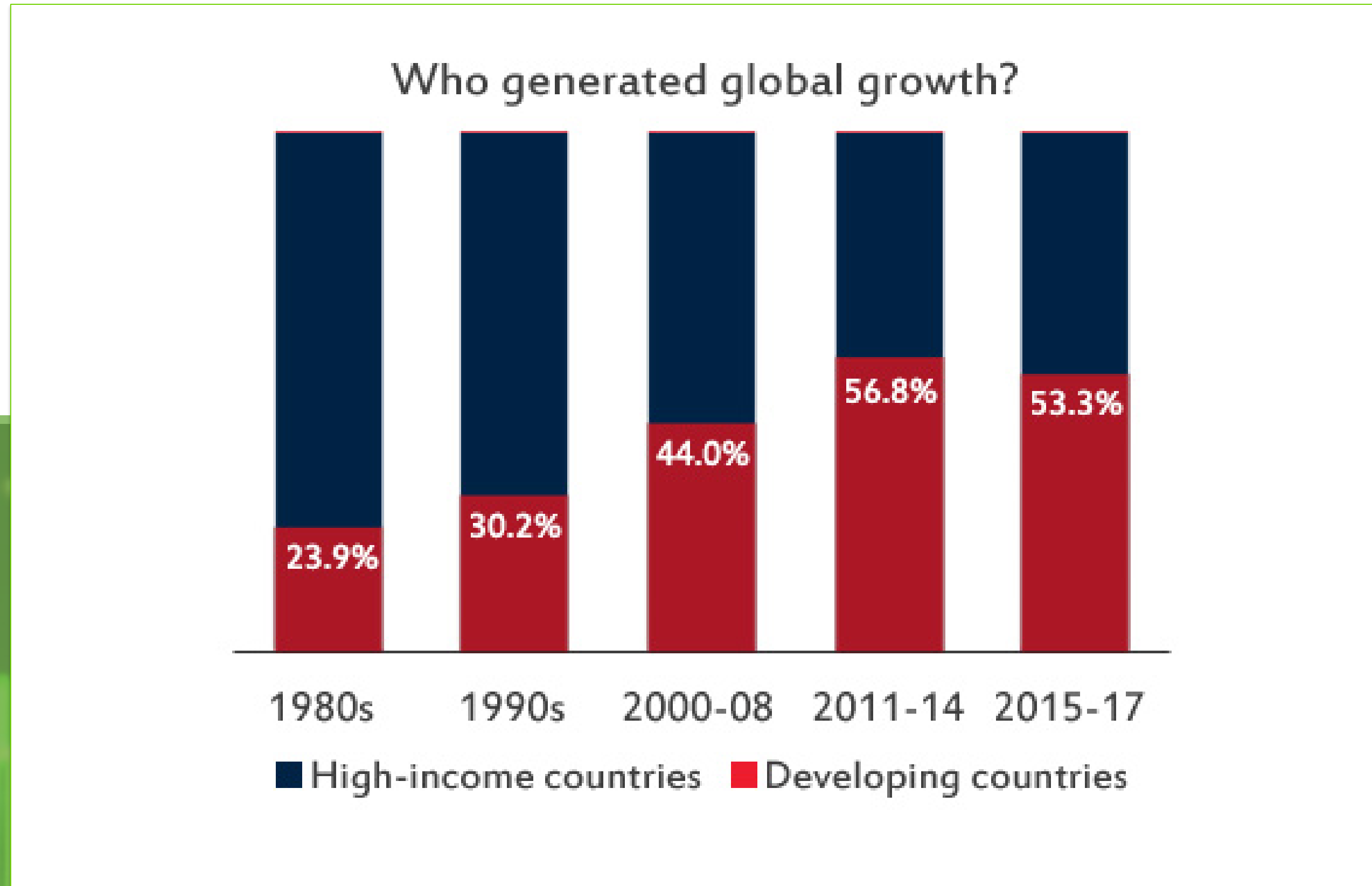
“IT SAYS THEY’RE WORRIED THAT THESE FILES WON’T BE READABLE BY FUTURE TECHNOLOGIES.”



# GLOBAL GDP GROWTH ESTIMATES FOR 2016

Country	GDP growth 2015	GDP Growth 2016, est.
United States	2.5%	2.4%
Euro region	1.4	1.6
Japan	0.6	1.2
China	3.7	3.7
Latin America	-0.3	1.1
India	6.1	6.2
Southeast Asia	4.6	4.7
Sub Saharan Africa	3.4	4.4

# WHAT COULD AFFECT GLOBAL ECONOMIC GROWTH?







WHAT COULD AFFECT GLOBAL ECONOMIC GROWTH?  
A DEBT CRISIS IN EMERGING COUNTRIES



# DEBT LEVELS IN EMERGING COUNTRIES HAVE INCREASED

**EM Corporate Debt and Market Capitalization  
(Billions of U.S. dollars)**



Source: IMF



# SLOWER GROWTH IN EMERGING COUNTRIES, SLOWER GROWTH EVERYWHERE

“In a worst-case scenario, the [IMF] estimated that broad turmoil—selloffs in equities, financial assets and bonds, and spike borrowing costs—could slash around 2.5 percentage points off economic growth in rich countries through 2017.”

*--The Wall Street Journal, Oct. 7, 2015*





**FEDERAL RESERVE MONETARY POLICY COULD  
AFFECT GLOBAL GROWTH**



# FED POLICY: LOTS OF QUESTIONS REMAIN

Is the U.S. economy ready to cope with higher rates?

How fast are rates likely to increase?

How will the other economies react?

How will investors react?

Will companies be hurt when borrowing costs rise?

Will a U.S. rate hike hurt emerging markets?

What if the Fed acts and rates don't increase?

# DIFFERING CENTRAL BANK POLICIES MAY CREATE INVESTMENT OPPORTUNITIES

...[Divergent central bank policy] places investors in a good position to scale into the inevitable price overshoots that are likely to materialize, together with excessive contagion within asset classes and unusual correlations between them.”

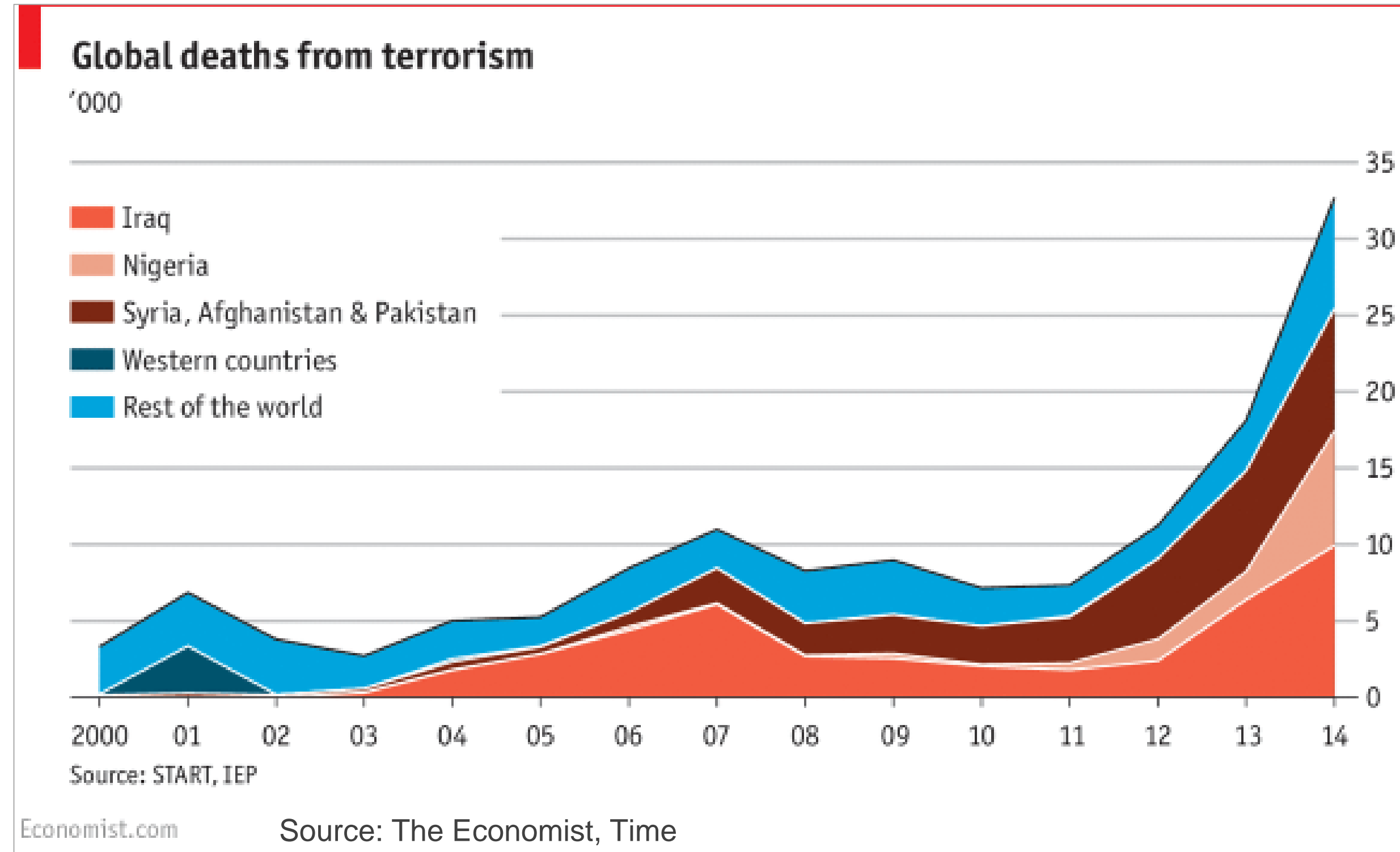
*--Mohamed El-Erian, Chair of Global  
Development Council*



# TERRORISM COULD HURT ECONOMIC GROWTH

## Financial costs of terrorism

- \$52.9 billion in 2014
- Military spending increases
- Consumer spending declines
- Tourism decreases
- Financial markets affected

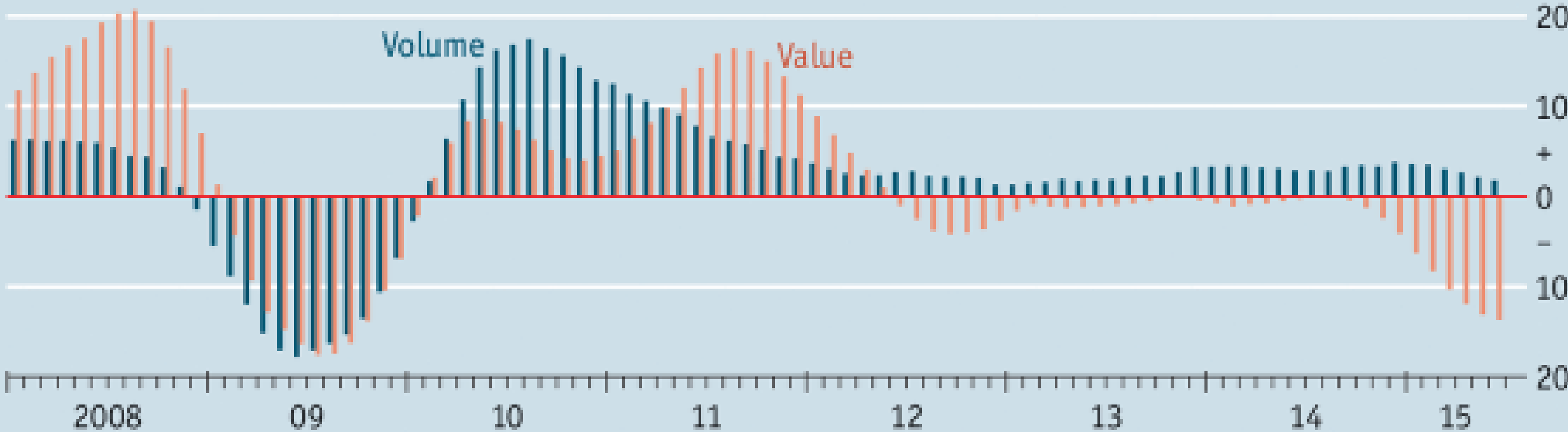


# SLOWING WORLD TRADE COULD HURT ECONOMIC GROWTH

## Worse for most...

1

Global trade, six-month average, % change on a year earlier



Sources: CPB; OECD



# WHERE ARE MARKETS HEADED

ALL strategists surveyed by *Barron's* expect the S&P 500 Index to increase by about 10% in 2016.

© MARK ANDERSON

WWW.ANDERTOONS.COM



"Good, it's unanimous."

# STRATEGISTS' EXPECTATIONS FOR 2016 WERE GOOD NEWS FOR BULLS

- GDP growth 2.5%
- S&P 500 Index up 10%, finishes around 2,200
- Earnings growth will drive stock prices
- P/E ratios may contract






# THEY WERE GOOD NEWS FOR CONTRARIANS, TOO

“An oil prospector, moving to his heavenly reward, was met by St. Peter with bad news. “You’re qualified for residence,” said St. Peter, “but, as you can see, the compound reserved for oil men is packed. There’s no way to squeeze you in.” After thinking a moment, the prospector asked if he might say just four words to the present occupants. That seemed harmless to St. Peter, so the prospector cupped his hands and yelled, “Oil discovered in hell.” Immediately the gate to the compound opened and all of the oil men marched out to head for the nether regions. Impressed, St. Peter invited the prospector to move in and make himself comfortable. The prospector paused. “No,” he said, “I think I’ll go along with the rest of the boys. There might be some truth to that rumor after all.”

*--Berkshire Hathaway Chairman’s Letter, 1985*

# 10-year Treasury bonds will yield 1.5% in 2016



"We have reduced our U.S. and European bond yield forecasts for end-2016 substantially, as a conventional tightening cycle has become increasingly unlikely...Our lower yield views are part of an international story, one that sees the ECB stuck in dovish mode well beyond the end-2016 forecast horizon."

*--Steve Major, CFA, Global Head of Fixed  
Income Research for HSBC*



# 10-year Treasury bonds will yield 2.6% to 2.8% in 2016



“Yields on the benchmark 10-year Treasury note will likely rise to 2.6 percent to 2.8 percent by the end of 2016, Fuss says, although he cautions that the current geopolitical turmoil makes forecasting especially difficult.”

*--Bloomberg Business, Nov. 19, 2015*

# HOW DO WE KNOW ECONOMISTS HAVE A SENSE OF HUMOR?

“Economic forecasting is an art, not a science. Of course, we have to make some guesses. The average citizen would be well advised, however, to treat all forecasts with a bucket (not just a pinch) of salt. Plenty of economists tell me not to worry about sluggish world trade growth and plunging commodity prices; the world will muddle through. But they would say that, wouldn't they?”

*--The Economist, Nov. 26, 2015*



Where We  
May Be Going:

What  
Will You  
Be Doing?





WE'RE  
READY  
FOR 2016







MAHERAS WEALTH MANAGEMENT, INC.

**FORECAST 2016:**

**Thank You For Your Continued  
Support!**

**{Maheras Wealth Management, Inc.}**



### Important Information

The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

The S&P/Case-Shiller U.S. National Home Price Index measures the change in value of the U.S. residential housing market. This index tracks the growth in value of real estate by following the purchase price and resale value of homes that have undergone a minimum of two arms-length transactions. This index is named for its creators, Karl Case and Robert Shiller.

The Consumer Price Index (CPI) is a measure of the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services.

Personal Consumption Expenditures (PCE) is a measure of price changes in consumer goods and services, targeted towards goods and services consumed by individuals. PCE is released monthly by the Bureau of Economic Analysis (BEA).

Quantitative Easing (QE) is a government monetary policy occasionally used to increase the money supply by buying government securities or other securities from the market. QE increases the money supply by flooding financial institutions with capital in an effort to promote increased lending and liquidity.

The Price-to-Earning (P/E) ratio is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share. It is a financial ratio used for valuation: a higher P/E ratio means investors are paying more for each unit of net income, thus, the stock is more expensive compared to one with a lower P/E ratio.