

Leigh Baldwin & Co.

Investment Brokerage

For investors, the year 2015 is in the books without much fanfare. Unless you were invested totally in NASDAQ issues, and more accurately only in the FANG stocks, this year was either negative or a push. 365 days of earnings, dividends, conference calls, projections, Jim Cramer, etc. and we have little to show for it. The results, while muted, could not have been totally unexpected, keeping in mind that this will be the first negative year for the Dow since 2008. Maybe 2015 will go down as the year we “paused to refresh”.

So what happened in 2015...? Earnings, the fuel for stock market growth, were disappointing, and may have been worse than the numbers being reported. A case could be made that if earnings were adjusted for all of the corporate buy-backs and financial engineering that Wall Street is so fond of, earnings may have been down by about 10% this year. The obvious catalyst for the lower earnings was the devastation wrought in the oil patch as oil companies were pummeled for the second year in a row. I don't know what was harder on investor's stomachs...the collapse of oil prices or eating at Chipotles...

We also saw a decline in the growth numbers coming from China and that weighed on markets early in the year. Add on the first interest rate hike in over 5 years and a flash crash of sorts in August...investors may be happy that the markets performed as they did in 2015.

So where do we go from here? Ultimately, the drop in commodity prices, led by energy, may have a stimulative effect on the economy and could negate the negative implications of higher interest rates. On this front, the market may surprise to the upside in 2016. We are also reminded (over and over again) that it is an election year, which could provide strong returns. Finally, even if gross earnings are a bit off, the economy has shown signs of life after 7 years of government intervention which may prove to be positive for the short term if not for the long. In short, with interest rates rising or at best staying the same and with questions remaining about the economy, we believe that it is a great time to review holdings and make sure that you are positioned for the new realities that are being presented. As always, we wish everyone the best for a healthy, happy, and prosperous New Year and we want to thank you for your continued confidence in our firm.

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