



Introduction: Welcome to the Paragon Financial Partners podcast, where we discuss the markets, our strategies, and how to live better today while planning for tomorrow.

Elean: Hello, this is Elean Mendoza with the Paragon podcast and welcome to the first episode of 2016. I am here with Evan Shorten, our firm's founder and principal.

Evan: Thank you for tuning in and I hope everybody's New Year is off to a great start, much better than the financial markets. With all the turbulence that we have been seeing over the last two weeks, we wanted to bring you a market update.

Elean: So just to recap when we finished the year, the Dow Jones ended down 2.2% and the S&P 500 ended down about 0.7%. The beginning of 2016 has not been friendly to investors either, and in fact, has been the worst beginning to a calendar year for, at least, the last 100 years or so. So with that, Evan, can you give us a brief overview of what's been going on in the markets the last couple months?

Evan: There is a lot of negative sentiment out there. Two thousand and sixteen started off with a bang, and I mean that quite literally with the North Korean nuclear tests, and that really kicked off the New Year with a great level of volatility. We have continued pressure on commodity prices, in particular with oil, now priced right around \$29 a barrel, week manufacturing numbers and the continued fear of rising interest rates.

But with respect to interest rates, I think it's very important to keep in mind that we've had a one quarter of a point move when rates have been at or near zero and a quarter of a point move is far from disastrous. Also, Chinese growth has slowed to its lowest rate in 25 years. Its government is easing monetary policy to stimulate its economy while devaluing its currency. This is bringing a lot of volatility to the world's financial markets.

Talking about other key points as to what's really going on in the marketplace. So, again, energy has gotten hit. The high yield market has gotten hit, and there is a lot of intertwining between the two. The high yield market is made up of a lot of energy companies. And with the downward pressure in the energy markets, that has put a greater level of pressure on liquidity within the high yield market and has pushed prices down and yields up dramatically.

That being said, if we also look at the hedge fund arena, hedge funds are heavily invested in the energy markets. And with that downward pressure on energy, hedge funds have been losing money. And, in turn, hedge funds have been shorting the S&P 500 future which has been adding to the pressure. Even though this is not my preference or prediction of sorts, I would not be surprised if the broad markets dropped another 5 to 10%.

Elean: Evan, thank you for sharing your insights. So given some of the conversations you've had with clients, what kind of advice have you given them that you can also give our listeners?



Evan: So a few points. First, get away from the news; stop taking in and/or focusing on all the negative news surrounding the financial markets. All it does is create doubt in you and in your investment strategies. It's not the time to be selling your investments. If anything, if you hold large cash positions, I think it's a good time to take advantage of the negative sentiment and slowly add into the market, whether it's dollar cost averaging or just recognizing that you need a bigger position in a certain segment of the market, for example, small cap value, large cap value.

Elean: Great. Thank you for listening to the Paragon podcast. If you have any questions or if you would like to hear about any specific topics, please feel free to reach us at info@paragonfinancialpartners.com or you can reach us on our Facebook page.

Evan: Thank you for tuning in. We really hope you enjoyed today's podcast and look forward to hearing from you soon.

End Disclosure: Paragon Financials Partners Inc., is a registered SEC investment adviser. The broadcast is for informational purposes only and should not be considered as a solicitation or offer to purchase or sell securities. The financial strategies and guidelines discussed herein may not be appropriate for everyone, as each individual circumstance is unique. Please review all tax information with your tax professional. Please review all legal information with your legal professional. We hope you enjoyed the Paragon Financial Partners podcast, and again, thank you for listening.