Quantitative Asset Management, LLC
Investment & Advisory Services

Newsletter

April 14, 2016

Quarter Ending March 31, 2016		
Year to Date Performance	Last Full Quarter	Index Close
Dow Jones Industrial Average	2.2%	17,685.09
NASDAQ Composite Price	-2.4%	4,869.85
Standard & Poor's Averages	1.4%	2,059.74
EAFE-Global Markets	-2.9%	

Dear Clients,

The equity markets continued the roller coaster ride of the second half of 2016 during the most recent quarter. The first two weeks of the New Year saw the S&P 500 decline by more than 11%, one of the worst starts ever. Yet by the end of the quarter the S&P rallied to finish up 1.4%. However, the NASDAQ finished the quarter down 2.4% and the international EAFE index closed down 2.9%. Interest rates remained relatively unchanged despite speculation regarding Fed rate increases. The US dollar hovered near seven week lows vs. the Euro, and oil prices rose almost 50% from their February lows: from $27 to $39/barrel. I believe, we may now have seen the lows for commodity prices.

This might be a good time to talk about commodity cycles, more specifically the future of oil prices. The oil industry has seen prices decline from $100/bbl in 2014 to $27/bbl in February of 2016. This has set the stage for rebalancing supply and demand, which will drive oil prices higher. The industry has idled 75% of North American drilling rigs. Exploration companies have cut drilling budgets in half and postponed and canceled many future projects (especially huge offshore projects worldwide). Workers have been laid off, some never to return. Many banks and business development companies are scrambling to collect on existing loans, leading to diminished financing options for borrowers. There are some who feel that with current technology, many of the existing capped or drilled but uncompleted ("DUC") wells can be easily turned on once the price of oil increases. I would disagree.

The damage already done to the entire energy industry won't be easily remedied because of the significant time, resources and financial requirements that will be required to reverse the current course. The oil producers that survive will experience much improved profitability as current drilling costs continue to decline. This means the old $90 price will be the new $60 price from a profit margin stand point. Cycles are self- correcting and I see continued rebalancing of supply and demand going forward.

The economies of the world are still struggling to create growth. The US GDP growth slowed to about 1% in the first two months of this year, but it appears March's numbers will show come modest improvement. The positive economic benefit of lower oil prices, an improving labor market, and rising wages should keep us on the road to better economic stats in the future. Interest rates should remain benign and that should keep the equity markets the investment of choice.

An added note: For many of our clients the enclosed reports are in a new format. Please give us a call in you have any questions or would like to discuss.

Sincerely,

Jeffrey L. Farni Sr.

*As required by Advisors Act Rule 204-3 advisory disclosure documents (ADV Part 2A) are available upon request or can be found on our website: www.qamgmt.com in the forms section.