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FINANCIAL SERVICES, INC.

Market Commentary
January 25, 2016

Dear Investors:

Investors breathed a sigh of relief last week when U.S. stock markets recovered from a tumble toward bear market territory with the grace of a Cirque du Soleil performer. Many stock markets around the world finished the week with gains, although national indices in Europe and the United States fared better, generally, than those in Asia.

Bloomberg Business reported global stocks experienced their biggest gains in more than three years, while safe haven markets, including Treasuries, retreated*. Stocks moved higher on speculation the European Central Bank (ECB) will expand stimulus measures, the U.S. Federal Reserve may revise its rate hike intentions, and Japan and Asia also may take steps to support their markets. According to the *Financial Times*:

"Sentiment turned in part because of dovish comments on Thursday from Mario Draghi, president of the European Central Bank, which many in the market viewed as signaling that further stimulus measures could be unveiled in March…The slide in U.S. equity markets and strengthening of the U.S. dollar have rapidly unraveled investor expectations that the Fed will be able to lift rates four times this year, as the central bank seeks to normalize policy. Instead, traders put the odds on just one rate rise this year."

A late-week rally in oil prices also helped push stock markets higher. The *Financial Times* reported crude oil hit a 12-year low midweek and then bounced more than 18 percent. While improving oil prices proved heartening to investors, *Barron's* pointed out prices have dropped because supply expanded ahead of demand. With growth in China slowing, it may take some time for supply and demand to balance.

*US treasuries may be considered "safe haven" investments but do carry some degree of risk including interest rate, credit and market risk.

Data as of 1/22/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.4%	-6.7%	-7.6%	6.2%	8.1%	4.2%
Dow Jones Global ex-U.S.	0.3	-9.0	-15.4	-4.1	-3.1	-0.7
10-year Treasury Note (Yield Only)	2.1	NA	1.9	1.8	3.4	4.4
Gold (per ounce)	0.2	3.2	-15.4	-13.4	-4.0	7.1
Bloomberg Commodity Index	2.4	-4.2	-25.9	-19.1	-14.1	-7.8
DJ Equity All REIT Total Return Index	1.3	-4.4	-9.1	7.4	10.4	6.4

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

IT'S COLLEGE TIME! WHAT WILL THE MONEY IN A 529 COLLEGE SAVINGS PLAN COVER? If you have a child or grandchild who will be heading to college soon, and you have set up and contributed to a 529 College Savings Plan, it's almost time to tap into those funds.

The reason many people start tucking money aside in college savings plans when their children are young is any earnings grow tax-deferred in 529 plan accounts, and are federally tax-free (and often state tax-free) when withdrawn, as long as they're used for qualified education expenses for a designated beneficiary. Qualified expenses include tuition, fees, books, and room and board.

Recently, Congress passed legislation that made computers, Internet access, printers, scanners, education-related software (no games), and other peripheral equipment qualified expenses. Computers were qualified expenses previously, as long as the college required computers for attendance. Now, they qualify even if the school does not require them.

According to *Kiplinger's*, 529 plan savings can be used for room and board even if the account beneficiary lives off campus, as long as he or she is attending college at least half-time. While you don't have to document expenses for 529 plan administrators, it's a good idea to keep a record of all education-related expenses.

529 plans are a smart way to save and invest for college. Contributions may be state tax-free, and there is no limit to the amount you can contribute annually, according to *SavingforCollege.com*, but there are tax-related nuances to understand. During 2015, a parent or grandparent could contribute up to $14,000 per child or grandchild and qualify for annual gift tax exclusion ($28,000 if a spouse contributes, too.) If you prefer, you can make a lump-sum contribution of up to $70,000 per beneficiary, and spread it over five years for gift tax purposes.

* Please keep in mind, prior to investing in a 529 Plan investors should consider whether the investor's or designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program. Non-qualified withdrawals may result in federal income tax and a 10% federal tax penalty on earnings.

To learn more about this college savings plan for your children or grandchildren, contact your financial professional.

Weekly Focus – Think About It

"Common sense is not so common."

--Voltaire, French writer, historian, and philosopher

Best regards,

John Y. Kim, J.D., LL.M.
President

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
*Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* The Standard & Poor's 500 (S&P 500) is an unmanaged index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
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* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* You cannot invest directly in an index.
* Consult your financial professional before making any investment decision.
* Stock investing involves risk including loss of principal.

Sources:

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