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Volatility has returned to the market, and we believe it will continue for the foreseeable future. When we last communicated with you in January, the financial world seemed to be heading down a fearful path. We were leaving behind a lackluster 2015 and starting 2016 with nothing but dropping stock prices and mounting fear.

The S&P 500 began the year at 2043.94 and precipitously dropped to a low of 1829.08, a decline of 10.51%. Immediately following this drop, there was a rebound to end the quarter at 2059.74, which equates to a .77% rate of return, excluding dividends, for the first quarter of 2016. If someone had looked at their portfolio on December 31, 2015 and gone away for 3 months, they would have come back and thought nothing happened.

Three major things changed direction this quarter that restored confidence in the market:

The Federal Reserve indicated it will not be raising interest rates aggressively in the near future. The tone of the Fed is "dovish" which indicates a slow and cautious approach to rate hikes. The market likes this plan.

Oil prices not only stabilized, but rallied strongly from their lows. Oil was up 13% in the month of March. The dramatic sell-off in oil was startling to the financial markets. Persistently low oil prices might result in energy companies not being able to service their debt. This could cause a wave of bankruptcies and defaults in the energy area that could poison the rest of the economy as well. When oil prices strengthened these fears were reduced.


Finally, the strong dollar reversed course and began to weaken. This raises earnings estimates for U.S. based multi-national companies who sell abroad and have had their earnings hurt significantly by the strong dollar. It was not a violent reversal, just a controlled move to the upside, and this market likes modest change. Another positive.

As always, we will focus on the long term and use short term volatility to take advantage of opportunities to put money to work. Our intention is to be in touch frequently enough that you never feel you need to call us. If, however, you are concerned or have anything you need from us, please let us know and we will make sure you are taken care of.

Sincerely,



David J. Sculati
President



Nathan Hawrot
Certified Financial Planner™