

Enthusiasm remains unchanged...

Summer is gone, but the optimism of businesses and consumers is going strong. Inflation and interest rates are still low. Global stocks are rising, led by the emerging Asian markets. The stock market seems to have mostly ignored the geopolitical concerns regarding North Korea, China, Russia and the Middle East. Investment firms we've talked with state that global investors believe North Korea is "all talk." Maybe so, but the situation is still deeply concerning.

When 2017 began, several of the new administration's economic policies were viewed as incentives for growth and job development. They may be, but have yet to be implemented. The governmental gridlock is frustrating to investors and can undermine what should be a hopeful confidence in the markets. Recent quarterly profits for corporations have, in fact improved, picking up any growth slack while waiting for the President's economic policies to materialize. Over the last decade, economic growth has averaged 2%. Last quarter it was at 3%. The US economy is continuing to expand, but hasn't approached full capacity. Borrowing, inflation, and household and corporate debt levels show no signs for concern, but wages aren't improving for workers. When the economy is less than robust, businesses don't feel compelled to compete aggressively for employees.

Markets focus on good news rather than slow growth or political risks...

Congress has a full economic agenda over the next six months with tax reform and tax cuts, infrastructure spending, repatriation of overseas corporate profits, healthcare, and immigration. Many of the proposed policies, if enacted, could promote economic growth and provide additional incentives for the markets. Even without these policies, however, US stocks continue to perform satisfactorily in a low growth environment.

Asian markets have been the leaders all year and are expected to continue their solid performance, as compared to the US and Europe. The growth runway for China and east Asia could extend for many years. However, the region is not without risks due to the currently strained relationships between China, the US, and North Korea. So far, markets seem focused on the good news rather than the political risks.

We're continuing our information gathering visits and collaborative relationships with top investment firms. They all seem in agreement that over the last six months US stock valuations have become strained. They remain hopeful though that when the new administration's proposed economic policies are eventually put in place, the propelled growth will last for several years and justify higher stock prices and interest rates.

As we race toward year end, please let me know if you would like to review investment moves, portfolio strategy and objectives, IRA rollovers, RMD withdraws, or any other financial concern. Thank you, as always, for entrusting us with the management of your finances. I appreciate your continued confidence.

Sincerely,



Robert C. Kleiber CFP

Although a new year always brings changes, 2017 is particularly noteworthy. Altering policies, regulations and legislative priorities top the list for the new President and the Republican controlled House and Senate. Globally, there are upcoming elections in several major countries, including Germany, France and China. While in the United Kingdom, the new Prime Minister, Theresa May, is dealing with Brexit.

The 2016 Presidential election put Donald J. Trump in the White House as the 45th President. His surprise victory caused Wall Street to completely change their market outlook. Prior to the election, forecasts were for continued slow growth, subdued inflation, and possible interest rate increases. International markets began rallying, but were stopped in their tracks on election day, while the US market started to rally immediately fooling all of the talking heads who predicted doom and gloom if Trump were to be elected.

So, why did Trump's victory boost the US markets, while International markets took a dive? Putting politics aside, let's talk economics. The international markets were concerned with Trump's talk of trade wars and tariffs. Both would cause their products and services to be less competitive and more expensive for US consumers. As Trump moderates his trade talk, the international markets (Asia) may change their course, with growth being anticipated in that part of the world. The real uncertainty is the EU, with concerns about the upcoming elections and Brexit.

Several of the administration's new policies should provide incentives for US economic growth and job opportunities. One is the possible repatriation of corporate profits (cash) currently sitting overseas. This repatriation would be at a reduced tax rate, but these funds could circulate throughout our economy, providing corporate expansion, wage growth, and increased employment with better jobs.

The policy discussion to reduce personal income taxes and corporate tax rates (from 35% to 20%) could promote increased economic growth, as well as provide discretionary money to individuals, corporations, and our overall economy. Infrastructure spending and regulation reduction is also on the agenda. Infrastructure spending is needed and will result in job creation and overall economic growth. Reducing regulations, that are considered burdensome and expensive, should benefit both small business and large corporations.

If enacted, these policies could have economic and market benefits. The potential for increased economic growth and rising interest rates will increase over time, and inflation could again be an issue. Rates for bonds and CDs will become more attractive and money markets funds could be a better savings investment. We have a long way to go before that happens. However, assuming the new policies are put into place, our economy appears poised for growth. There remain many questions regarding deficits, government spending, and of course, politics. We don't know when, or if, the proposed agenda will be implemented. We're taking an optimistic outlook for growth over the next two years, but anticipate continued volatility in both politics and the economy. As the new agenda is implemented, we will be making appropriate changes to portfolios, and anticipate a healthy and prosperous 2017.

Now is a good time to review your 401(k) investment strategy. Remember, you should maintain a diversified and balanced portfolio, as this vehicle is intended for your retirement.

We thank you for your continued trust and confidence in having us support your 401(k) plan. Please contact us if you have any questions, or would want to get together to discuss your financial situation and objectives. I always look forward to meeting with clients.

Sincerely,



Robert C. Kleiber, CFP