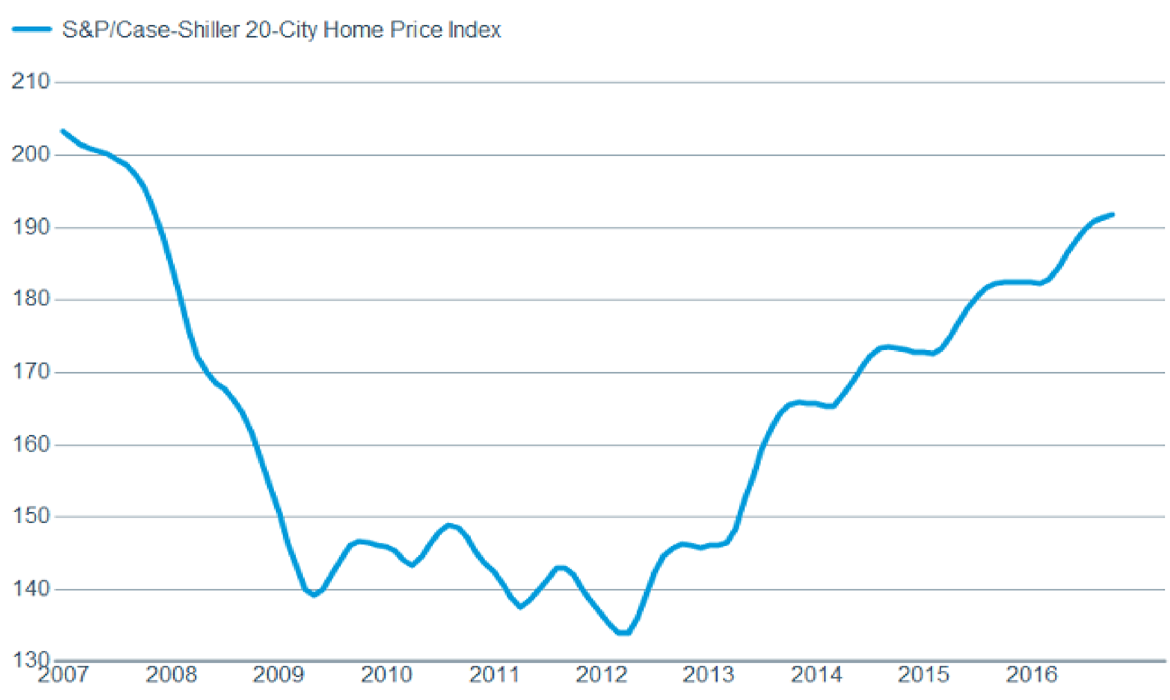
ACCESS WEALTH MANAGEMENT

January 9, 2017

Will the Momentum Continue Into 2017?

Since the U.S. elections in November, the Dow Jones Industrial Average index exploded to a new record high. Within several weeks of the election, the S&P 500 index, the technology-heavy Nasdaq index, and the small company Russell 2000 index all followed the Dow Jones lead, and achieved new all-time highs. To place these milestones in perspective, the last time this happened was on the last day of December in 1999. Investors are clearly bullish, as the new narrative suggests Trump's policies will be good for stocks.

We have seen an improvement in both consumer and business confidence. Consumer Confidence recently reached the highest level since July 2007 at 107.1 according to The Conference Board. CEO confidence according to ChiefExecutive.net rose 10.8% in the weeks following the election; while the Institute for Supply Management (ISM) reported their Manufacturing Index rose to 53.2 from 51.9, and their Non-Manufacturing Index rose to an impressive 57.2 from 54.8. The economy showed steady improvement throughout 2016, with quarterly annualized real gross domestic product (GDP) growth moving from 0.8% in the first quarter, to 1.4% in the second, and 3.2% in the third according to the Commerce Department. And the most valuable asset for most Americans continues to increase in value – their home's price.



Source: FactSet, Standard and Poor's. As of December 5, 2016.

In our Q1 2016 Market Commentary we mentioned that we liked the Energy Sector. The Energy Sector had a very strong 2016 and we remain bullish on Energy heading into 2017. Oil prices were coming off of 15 year lows and due to the mean-reverting nature of the commodity we continue to believe energy prices are likely to move higher over the next few years. We maintain our price target on oil of $60-$65 per barrel and believe those levels will be reached within the next 12-24 months. Just since November 2016 NYMEX WTI Crude Oil is up approximately 24% while USO and XLE are up approximately 19% and 12% respectively.

What now?

As previously mentioned, U.S. stocks have surged since the election gave control of Washington to the Republicans, which are perceived to be more business friendly. We believe some of that enthusiasm may have pulled some gains from 2017 into 2016, but we believe the economic momentum seen in the latter half of 2016 will continue into 2017. Economic data has improved alongside what is seen as a business-friendly incoming Trump administration, helping bolster both stock and Treasury yields. We generally prefer stocks over bonds as we believe rising rates will be a headwind to the bond market moving forward. In fact, the Fed just raised rates by 25 basis points on December 14th and we believe there will be two to three more hikes coming in 2017.

We continue to prefer high quality stock managers and continue to prefer managers that have a clear, long term track record of using cash very wisely. The intelligent investor should behave like the rational consumer: research and decide on the few businesses that are worth purchasing. Then only buy these stocks when prices are right. When these conditions do not prevail, sit on the sidelines until they do. To wait with cash and have patience is not easy, but it is rational. Unfortunately, in the investing world today due to the current cycle, there are few bargains in the equity store (despite the prevailing narratives). We believe the bull market can continue, although the sharp gains we've seen recently may give way to more sideways movement and/or potential pullbacks. It is essential to use cash positions wisely before, during and after such pullbacks occur. We continue to utilize managers that have a clear track record of doing just that.

Respectfully,

Anthony L. Christensen
President

IMPORTANT DISCLOSURE