ROCKPORT
WEALTH ADVISORS

Third Quarter 2016

Happy Fall!! Welcome to the quarterly edition of Rockport's newsletter. We hope you will find this helpful in keeping you updated on our latest news and provide you with updates to our Model Portfolios

"Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria. "

Sir John Templeton,

Still Proceeding with Caution (x 2)

As of the close of the 3rd quarter all Rockport Tactical Models are still operating at reduced risk levels. The reasons for this reduced risk are continued mixed economic data, a VERY uncertain presidential election and very late cycles in both the stock market and economy.

The popular topic (in addition to the presidential election!) continues to be the Federal Reserve (FOMC) and if/when they will raise interest rates. Currently forecasts show the most likely scenario being a rate increase in December. There is little doubt that many of the stock markets day to day moves are based on the probability of future interest rate increases and how soon they will occur if at all.

*Economica*lly data points are still mixed with the LEI (Leading Economic Index) making a new high in August but manufacturing and services showing signs of weakening in September. Housing remains strong and inflation is not an issue (yet) but is showing some signs of increasing. We are keeping a very close eye on economic data as the length of this recovery is now over 7 years and the average length of a recovery is only 3.8 years. When we are this late in a cycle we must be diligent with the data to look for signs of recession (nothing yet!)

In the stock market, we would expect an increase in volatility in the 4th quarter. One reason is simply that volatility has been essentially absent from the markets for most of the summer and is due to pick up as it often does in the fall. Secondly, there is bound to be some market movement due to the upcoming presidential election. Presently we see no signs of an impending bear market as a lot of the technical indicators we follow look healthy and have recovered nicely since the spring. (This doesn't necessarily mean a bull market will occur either!) With market PE Ratio's in the mid 20's, the market is not inexpensive and future gains may be tougher to come by.

In our model portfolios there were two changes this past quarter. The first was a share class change on First Eagle Global Fund from Class A to class I. The I share is less expensive. Secondly, we replaced the Fidelity Advisor Small cap with the I Shares Core S & P Small-Cap ETF. The reason for this change was a combination of lower costs and better performance.

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