ROCKPORT
WEALTH ADVISORS

4th Quarter 2016

Happy New Year!! Welcome to 4th Quarter Edition of our Rockport Wealth Newsletter.

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

Sir John Templeton,

A year that needs to unfold…….

As of the close of the 4th Quarter all Rockport Risk Managed (formerly called Tactical) Models are still operating at reduced risk levels. The reasons for this reduced risk are continued mixed (although much improved) economic data, political uncertainty both domestic and abroad and very late cycles in both the stock market and economy.

Economic Date has improved greatly over the past quarter with the LEI (Leading Economic Index) continuing to edge higher and ISM manufacturing and service sector's rebounding nicely from some weakness in the August 2016 period. These along with Consumer Confidence and Sentiment both moving close to or at post recession high's make a recession unlikely in the next 6 months.

Our Technical indicators are showing a great likelihood of further stock market gains ahead, however concerns and risks do exist. A lot of the run up in stock prices in the last 6 weeks of 2016 was based on the hope and promise that our new president can change policy to spur economic growth (for example lowering corporate taxes.) This may in fact be the case. However this sets the market up for disappointment risk should he not be able to accomplish what he has suggested or if the magnitude of what he does accomplish is not what the market expected (and has already priced in to a degree.) The market is now in a "show me" stage. We will just have to watch this one and see how things unfold over the course of 2017 (This is not a political commentary just an observation.)

We will continue to monitor economic and technical developments and adjust accordingly. Additional items that bear watching are the duration of the current bull market (coming up on 8 years) and length of the current economic recovery. Both are aging and past their prime by historical standards. Lastly, the market is not cheap with a P/E ratio over 25 on the S and P 500 at year end. This may make market gains harder to come by.

In our model portfolios there were 2 changes this past quarter. First, Templeton Global Bond was replaced with AB Global Bond. This change was based on performance. Second was the sale of Transamerica Intermediate Bond into TA Short term bond. This was a tax loss capture due to volatility in municipal bonds post election. Portfolio rebalancing will occur in Q1 2017. AS always feel free to call or email with questions or comments.

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