ROCKPORT
WEALTH ADVISORS

1st Quarter 2017

Happy Spring! Welcome to the 1st Quarter Edition of the Rockport Newsletter.

"For those properly prepared in advance, a bear market in stocks is not a calamity but an opportunity. "

Sir John Templeton, 1962

A year that(Still) needs to unfold.......

As of the close of the 1st quarter all Rockport Risk Managed Models are operating at slightly reduced risk levels. We did increase equity allocations slightly during the re-balance that occurred January 31st. We are still not at fully invested levels due to Market valuation levels, the length of time it has been since we have had a 20% correction (Bull Market Duration) and the aging economic cycle. Let's expand on those 3 topics a bit.

One common industry standard for measuring market valuation is the Shiller PE Ratio. Currently this number is over 29 which is the 3rd highest it has been in history (1929 and 2000 being the only two years where it was higher). One key thing to remember is that markets don't go down just because they are expensive, but they may go down significantly if a triggering event occurs (think back to the tech stock bubble in 2000 and the mortgage crisis of 2008). While a precipitous drop may not be in the cards at the moment, significant market gains may be tough to come by at current valuation levels.

The average length of a bull market has been 3.8 years. At over 8 years in duration this bull market ranks as the 2nd longest (S and P 500) Simply put, bull markets do not last forever.

At almost 8 years in length the current economic expansion ranks as one of the longer in history. Presently there are no signs of recession with the LEI (Leading Economic Index) making new highs and manufacturing indexes in expansionary territory plus most other monitored economic data positive. We will continue to watch for developments here, however a recession this year appears to be unlikely. And....

Let's not forget the Fed in this equation. Interest rates were increased in March and it is widely expected that 2-3 more increases will still occur over the remainder of the year. Each increase aims to slowdown the economy and keep inflation in check. We will be keeping close eye on this!

As for the models, we did due a full rebalance on January 31st. During the rebalance we replaced Berwyn Income Fund with Transamerica Floating rate and Loomis Sayles Bond was replaced with Mainstay Short Duration Hi Yield. These changes increased the income and reduced risk slightly per our analytical software. As always if you have any questions or comments please email or call!

Rockport Wealth Advisors
Joe Kovach, CFP®,AIF®
Ted Calabrese CLU®,AIF®
Adam Stalnaker, AIF®
Investment Advisor Representative *
Registered Representative *

ROCKPORT
WEALTH ADVISORS

14650 Detroit Ave Suite 430
Lakewood, OH 44107
www.rockportwealth.com
Phone 216-226-4560