Year End 2017

Oh, what a year it was! Stock Market and Economic review of the calendar year.

Happy 2018 to all of our friends and clients. We hope that 2017 was a fantastic year and that 2018 holds only great things for everyone.

The year started off on solid footing with stock market momentum from 2016's fantastic close to the year carrying into 2017 and continued in an unprecedented fashion through the whole year. In fact, it was one of the least volatile years in terms of stock price movements that has ever been recorded.

The S&P 500 started the year at 2,238.83 and closed the year at 2,673.61. A return of close to 19.5% (excluding dividends), spectacular to say the least. Most other major indexes followed the S&P 500's lead with international and in particular emerging markets posting the largest gains for the year. The only negatives to be found were either in telecom stocks or energy stocks, other sectors of the markets were largely positive, sometimes substantially.

This may have come as a surprise to many but based on economic and technical data points we reference it all made sense. As of year-end, the LEI (Leading economic index) had posted new highs every month in 2017. This likely means economic growth will continue into the first half of 2018. Technically, the picture at year end is firm with the advance decline line (number of new stocks making new highs vs new lows) also making new highs in tandem with the major indexes and other than market valuation (which is arguably the second most expensive in history) most technical indicators remain on solid footing.

The big surprise, as you have seen us reference in our newsletters for 2017, was the lack of volatility. The S&P 500 made it through the entire year without a 5% pullback (defined as a drop of 5% from any closing annual high) In fact, you must go all the way back to June of 2016 to find the last time we had such an event. Historically there has been a pullback in markets of this type every 6-7 months. As of year-end we are at approximately 18 months. This is highly unusual and yes, we are long overdue for such an event to occur.

The Federal Reserve did increase interest rates 3 times in 2017, about what they had forecast going into the year. These increases had little effect on slowing stocks down and pushing bond yields up, both of which were mildly surprising.

The forecast for 2018 is another 3 rate increases so we will need to stay diligent and watch for any effects these may have.

The other main topic which dominated the news (other than North Korea and their constant agitating by firing test missiles) was the passage of the new tax plan very near year end.
The tax package itself is good in aggregate, corporations will benefit nicely, which should put them in a more competitive position. Individuals will benefit as well as tax rates are marginally lower across the board. There is almost no question that the stock markets stellar performance was anticipation of and eventually final passage of the tax plan. We will see how this plays out in 2018 as well as how potential federal reserve rate increases and politics domestic and abroad turn out.

In 2018 we will be introducing the e-money system to all of our clients so stay tuned. This is a powerful planning and account aggregation platform that we are sure you will find helpful!

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

-John Templeton

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