January 2017 Market Commentary

Please mark your calendar for Saturday, April 29th at 8:30am as this will be our next Client Appreciation Day brunch at Lansdowne Resort. Our speaker this year will be Maurice McTigue from the Mercades Center who has been one of our past favorites.

The Presidential election is finally behind us along with the latest Federal Reserve interest rate increase. To the surprise of many, the market has reacted positively to both events. Regardless of your party affiliation, the market has clearly shown a vote of confidence to the incoming, business friendly administration with the DOW about to cross the legendary 20,000 mark. Along with markets upward movement after the election, the Consumer Confidence Index is now at a 15-year high, a national homebuilder’s sentiment index has hit an 11-year high, and small business optimism has jumped up significantly since the election. The jump in small business optimism is only the 3rd time that this index has reached ‘above average’ territory since the start of the recession in 2007.

We hope the new administration will work to make the following changes:

- Tax reform will be a priority. Corporate tax rates will be reduced and finally become competitive with other developed nations. This could also include repatriation of business profits from overseas and make it advantageous to bring these hundreds of billions of dollars back to the U. S. Personal tax rates will be revised downwards to help the average consumer.
- Business regulation will be reduced to allow U. S. businesses to thrive and become competitive at the global level once again.

We believe these actions along with other proposed changes to be business friendly thereby unleashing vast amounts of cash that has been put on the ‘sidelines’ waiting for a sense of certainty. Individuals are still sitting on records amount of cash waiting to be invested or put to work once they feel confident that the rewards outweigh the risks.

After the decision to raise interest rates in December, The Federal Reserve announced plans to raise interest rates 3 more times in 2017. Janet Yellen has this to say after the December interest rate increase:

“Our decision to raise rates should certainly be understood as a reflection of the confidence we have in the progress the economy has made and our judgment that progress will continue. It is a vote of confidence in the economy”.

Whether you like the new President or not, we believe his administration and their proposed policies bode well for the business community and subsequently the markets which we anticipate to continue moving higher.