W. James Steen, CFP®
jim@petrafin.com

Jason A. Pearson, CFP®
jason@petrafin.com

(O) 937.294.9000
www.petrafinancialsolutions.com

JOIN US ON FACEBOOK

THREE YEARS FROM NOW - The median projection made on 12/14/16 by the 10 members of the Federal Open Market committee is that the short-term Fed Funds rate will be 2.9% by 12/31/19, i.e., approximately +2 ¼ percentage points higher than its "current target range" of "0.50% to 0.75%" (source: Federal Reserve).

WHEN? - Social Security trustees announced on 6/22/16 that the trust fund backing the payment of Social Security benefits (OASI benefits) would be zero in 2035. When the trustees released their report in 2003, the Social Security Trust Fund was projected to be depleted in 2042 (source: Social Security Trustees Reports).

STRAIGHT LINE – Just 25% of stock investors were "bullish" on the US stock market on 12/31/15 after the S&P 500 had produced a +1.4% gain (total return) for 2015. The S&P 500 gained +12.0% during 2016 (source: AAII).

Within the first week of welcoming the New Year, much of the US also welcomed the first snowfall of 2017. Winter Storm Helena rolled through a total of 26 states over the course of a few days, leaving snow as far south as Alabama!

It is my observation that the threat of winter weather typically forces people into one of three categories. First, you've got the "Meteorologist-in-Training." You know this person well. In fact, you may have one in your very own family. They have closely studied no less than three separate weather models, Wxrisk.com is definitely bookmarked on their web browser, and they use words like "system" and "nor'easter" and "squall" as they enlighten you on exactly how many inches to expect and precise starting and ending times based on their analysis. While this person doesn't typically prove to be any more useful than your favorite weather app's push notifications, they do manage to be slightly more annoying.

Next up on the list is the "Boy Scout." Living up to the "always be prepared" motto, this person is not going to spend much time trying to predict what will happen, but is also not going to be left without a replenished supply of bread, eggs, and milk. They'll make sure they can find last year's shovel and confirm the ice scraper is in fact wedged underneath the passenger seat in the car. They may even pick up some extra firewood, you know…just in case.

Lastly, we have the person that is inevitably caught completely off guard. They've either chosen to ignore the signs and warnings for some reason or another, or they simply weren't tuned in. As a result, they are unequipped to handle the outcome, and hopefully live next door to one of the "Boy Scouts" that will at least lend them a shovel.

If you think about it, the weather is not unlike the market. Both offer an infinite number of data points that can be analyzed, and many can (and have) made predictions on what will happen next. However, no one has the crystal ball. Sometimes no matter how clear the path may seem, the unexpected becomes reality, leaving even the experts scratching their heads.

The way people react to the market can also be categorized broadly. There are those that suffer from paralysis by analysis, using their resources to try to predict what will happen. On the other extreme, there are individuals that do nothing, falling in to the "buy and hold" camp not by choice, but by default. Our goal is most consistent with the Boy Scout mentality.

Once again, the US Equity markets set the standard in 2016. And as we start out 2017, it appears, based upon our indicators, that could also be the story for 2017. Our indicators show that the US Equity markets are the strongest place to be and not just by a slim margin but a large margin. We never try to look out past our headlights though so we won't venture to "predict" any returns for 2017 but rather will say that right now, demand is in control of the equity markets and if that changes, we will adjust our position throughout the year. Most importantly, however, we know that we have several objective tools and indicators at our disposal that we monitor regularly. We have a plan in place that allows us to participate in leadership trends, yet remain adaptive enough to change should the market veer off course.

I hope 2017 is off to a great start (despite any inclement weather)! If you have any questions about your portfolio, or would like to further discuss opportunities within the equity market, please give me a call.

Thank you for your business and support,

P.S. If you think this type of information would be of benefit to anyone you know, please share this communication with them.

PETRA
Financial Solutions, Inc.