“Outlook” in the Rearview Mirror

This is a great time of the year in the investment business because we all like to look at the New Year as a new start, a time to look forward and it definitely is a good spot to re-focus many areas of our lives. We do that in our practice every year and this year is no exception. The irony does escape me that we always preach long term but we can’t quite seem to keep ourselves from looking at, comparing to and contemplating the short term! Nowhere is this more apparent than the various articles, books, predictions, and seminars etc. that seem to appear at this time of the year with the purpose of predicting the year (short term). Most every investment company, analyst, strategist, advisor or money manager has some version of “Outlook” for the coming year. Indeed, among all of the seminars we will host this year “Outlook 2017” will be our most attended sessions throughout the bank for 2017, I can guarantee it! As the old saying goes…”no one really knows” but we try anyway! For this reason I decided to look at last year’s Outlook 2016 now that we have 20/20 vision on the past to see how we did in our attempt to peer into the year….last year.

In my Outlook 2016 letter I said that we expected increased volatility in the context of the flat markets of 2014 & 2015. We hit that nail on the head as the major indexes corrected significantly in the Jan-Feb time frame only to rally right back to 2015 levels by March. We also said to use any pullbacks as a buying opportunity…this is something we still feel strongly about! If you made purchases in that Jan-Feb time frame you saw tremendous returns by the end of the 2nd quarter, particularly in Energy and Transportation which we also mentioned as areas of value in last year’s letter. For the long term we reiterated our stance that we are in the early stages of a long term bull market and our recommendation for the long term investor to ride out the volatility proved correct. We also said that we thought the year would continue to be a challenge for conservative investors even though we thought rates would rise in 2016. We were only halfway right on this….it was more challenging than we thought but exactly because rates went down not up! We also missed on our predictions regarding the election and volatility, the 2nd half of the year traded in a fairly orderly fashion (a bullish occurrence) and that was a precursor for one of the strongest 4th quarter rally’s that we have seen in a long time as shown by the tape:

	12/30/2016	4Q 2016 Return	12-Month Return
DJIA	19,762.60	+8.66%	+16.50%
NASDAQ	5,383.12	+1.66%	+8.87%
S&P 500	2,238.83	+3.82%	+11.96%
MSCI EAFE	1,684.00	-.71%	+1.00%

Performance reflects price returns as of 4:15 p.m. EST, September 30, 2016.

As we enter 2017 we remain bullish on stocks and if viewed within the context of more conservative alternatives stocks in my opinion still offer some of the highest probabilities for beating inflation going forward. I feel that we will continue the moderate grind forward economically just as I have said for the last 8 years and as you have also heard us say many times and often to laughter and bewilderment perhaps new politicians will bring new policy….for the better! As always, we shall see.