"The Best Time To Invest: When You Have Money!"

By Tommy Williams, CFP®

Toward the end of the first quarter, the bull market celebrated its eighth birthday. David Kelly, Chief Global Strategist at *J.P. Morgan Asset Management* wrote:

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"Eight years ago, on March 9, 2009, the S&P 500 closed at 677, down 57 percent from where it had been just 18 months earlier. 10-year Treasury yields had fallen from 3.6 percent to 2.9 percent over the previous year…Investors were depressed and scared. However, good long-term returns from stocks were almost inevitable at that point since economic and market fundamentals were at unsustainably low levels…Eight years later, the financial landscape has changed completely…it still makes sense to be in long-term investments including both domestic stocks and bonds. However, it is time to adopt a more diversified and thoughtful approach that recognizes the importance of valuations…"

Valuations were heady during first quarter

Stock valuations reflect how much a share of a company's stock, or shares of companies in an index, may be worth. Valuations can help investors understand whether shares are expensive, reasonable, or inexpensive. One way to measure valuation is to look at trailing 12-month price-to-earnings ratio (P/E). This gauge reflects how much an investor must pay to receive one dollar of the company's earnings.

For instance, on March 31, *FactSet* reported the trailing 12-month P/E of the Standard & Poor's 500 Index was 21.8. That's well above the 10-year average of 16.6 and the five-year average of 17.1. This suggests shares of the overall index are expensive. Keep in mind, even when the index appears to be expensive, the valuations of specific companies or sectors within the index may still be attractive.

The U.S. economy grew (but we're not sure how much)

People and businesses may have been more enthusiastic than data suggests was warranted. *Financial Times* cited research from *Morgan Stanley* that shows a growing gap between 'hard' economic data (like slowing corporate spending and lower retail sales) and 'soft' economic data (like consumer and business optimism). This disparity has created uncertainty about the pace of economic growth during the first quarter of 2017. *"The Atlanta Federal Reserve's model, which…focuses on hard data, projects an annualized rate of just 1 percent. However, the New York Fed's model, which 'incorporates soft data into its tracking,'* *forecasts 3 percent growth."*

The Federal Reserve acted

With employment and inflation data approaching Fed targets, the Federal Open Market Committee raised rates in March, pushing the Fed funds target rate into the 0.75 percent to 1 percent range, reported *Financial Times*. More rate hikes are expected during 2017.

Brexit was launched

The end of the first quarter of 2017 marked a new beginning for Britain. On March 29, Prime Minister Theresa May officially launched Britain's exit from the European Union. The United Kingdom now has two years to negotiate terms with the European Union (unless all members of the EU unanimously approve an extension).

When you consider how long trade agreement negotiations normally take, it appears the task ahead for Britain and the EU is akin to running a marathon in 30 minutes. For example, Canada and the EU began discussing a trade agreement in 2007. It has yet to be finalized.

With all of the moving parts discussed above, United States and European national stock market indices finished the quarter higher. With a new quarter comes your tax refund (hopefully)! Perhaps you're planning to add it to your rainy-day fund. However, don't forget – April showers bring May flowers. Perhaps it's a good time, while carefully observing valuations, to invest!

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