The Dow Jones Industrial Average gained 201 points, ending the week up 1% at 19,964. The S&P 500 Index added 38 points, up 1.7%, to end the week at 2,277.

The Nasdaq Composite was up 2.6% to end the week at 5,521. The S&P MidCap 400 Index gained 1.3% to close the week at 1,682. The Russell 2000 gained 0.8%, ending the week at 1,367.

The ETF "EFA", the proxy for developed international equity markets, finished the week up 2.3%. Emerging markets, as represented by the ETF "EEM", gained 2.7%.

Domestic high yield corporate bonds gained 0.9% during the week, as measured by the Bank of America Merrill Lynch US High Yield Master II Index.

2017 trading commenced with a positive week for US equity markets as buyers returned from vacation. International stocks got a boost from a weaker US Dollar, which fell after the release of the December Federal Open Market Committee (FOMC) meeting minutes. The benchmark 10-Year US Treasury Note yield slipped to 2.42%. Oil prices fluctuated but closed out the week up, with US West Texas Intermediate just under $54 a barrel and international Brent Crude near the $57 mark. Domestic crude oil inventories fell by 7.1 million barrels in the week ended December 30th.

Domestic high yield bond spreads over Treasuries tightened to their lowest levels since September of 2014, just above 4% for the Bank of America Merrill Lynch US High Yield Master II Index (BAML HY Index). Spreads are starting 2017 some 43% lower than where they stood at the beginning of 2016, when BAML HY Index option-adjusted-spread was 7.1%. High yield bond mutual funds and ETFs reported net inflows of $734 million in the weekly period ended January 4th.

In US economic news, December payroll data was mixed. The headline number of 156,000 new jobs was slightly below expectations, however average hourly earnings rose at a 2.9% annual rate, the largest yearly gain in wages since 2009. The FOMC minutes, released Wednesday, revealed some uncertainty from Fed members over how the incoming Trump administration’s policies will unfold. US trade data released on Friday showed that the trade deficit expanded to $45.2 billion in November, a nine-month high.

In international economic news, manufacturing data was solid in December in both Europe and Asia. The UK Manufacturing Purchasing Managers’ Index (PMI) rose to its highest level in two and a half years. Eurozone PMI also rose during the month while China’s Caixin PMI, a measure of small and medium-size firms, hit its highest level since January of 2013. In other news, the Chinese government tightened controls on foreign currency purchases in an attempt to curb the flight of capital from the country due to the recent decline of the Yuan against the US Dollar. Individuals wishing to convert Yuan to foreign currencies will have to provide detailed documentation and conversions will be capped at the equivalent of $50,000 USD annually.

**Did You Know?**

Gross Eyes 2.6% Yield for Bear Market as Treasuries Fall on Jobs

[Click here to read more](#)
Taking a comprehensive look at the overall current stock market, you can see the chart below representing eight major indices and their returns through the week ending January 6, 2017. In a truly diversified portfolio, the portfolio’s total return is determined by the performance of all of the individual positions in combination – not individually.

So, understanding the combined overall performance of the indices below, simply average the 8 indices (excluding the BofA Merrill Lynch US High Yield Master II Index) to get a better overall picture of the market. The combined average of all 8 indices is 1.76% year to date.

**Market Perspectives (through 01/06/2017)**

**60/40 Allocation: 1.09 % YTD**

(60% S&P 500/40% Barclays US Aggregate Bond Index)

**S&P 500: 1.70% YTD**

**Barclays Agg: 0.17% YTD**

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### Weekly Update for the Week Ending January 6, 2017

<table>
<thead>
<tr>
<th>Index</th>
<th>Close</th>
<th>Last Week</th>
<th>One Month</th>
<th>Year-to-Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dow Jones Global Index</td>
<td>332.06</td>
<td>6.01</td>
<td>1.84%</td>
<td>9.75</td>
</tr>
<tr>
<td>Dow Jones Industrial Average</td>
<td>19963.80</td>
<td>201.20</td>
<td>1.02%</td>
<td>712.02</td>
</tr>
<tr>
<td>S&amp;P 500 Index</td>
<td>2276.98</td>
<td>38.15</td>
<td>1.70%</td>
<td>64.75</td>
</tr>
<tr>
<td>Nasdaq Composite Index</td>
<td>5521.05</td>
<td>137.93</td>
<td>2.56%</td>
<td>188.05</td>
</tr>
<tr>
<td>S&amp;P MidCap 400 Index</td>
<td>1682.07</td>
<td>21.49</td>
<td>1.29%</td>
<td>23.79</td>
</tr>
<tr>
<td>Russell 2000 Index</td>
<td>1367.28</td>
<td>10.15</td>
<td>0.75%</td>
<td>14.61</td>
</tr>
<tr>
<td>MSCI EAFE Index (FIA)</td>
<td>59.05</td>
<td>1.32</td>
<td>2.29%</td>
<td>1.39</td>
</tr>
<tr>
<td>MSCI Emerging Markets Index (EEM)</td>
<td>35.94</td>
<td>0.93</td>
<td>2.66%</td>
<td>0.34</td>
</tr>
<tr>
<td>BAML US High Yield Master II Index</td>
<td>1185.21</td>
<td>10.90</td>
<td>0.93%</td>
<td>26.37</td>
</tr>
</tbody>
</table>

Above returns exclude dividends. Data Source: Investors FastTrack

For a complete report on all the indices, we recommend that you go to [www.HanionInvest.com](http://www.HanionInvest.com) and click on the Financial Professionals tab, then click on Index Performance Report on the left-hand side under the Resources section.

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**QUOTE OF THE WEEK**

"A bank is a place where they lend you an umbrella in fair weather and ask for it back when it begins to rain."

- Robert Frost
Weekly Market Commentary
January 9, 2017

Summary

In utilizing an approach that seeks to limit volatility, it is important to keep perspective of the activity in multiple asset classes. At Horter Investment Management we seek to achieve lower risk with higher returns. More specifically, we seek to achieve superior risk-adjusted returns over a full market cycle to a traditional 60% equities / 40% bonds asset allocation. We do this by implementing global mandates of several tactical managers within different risk buckets.

For those investors who are unwilling to stomach anything more than minimal downside risk, our goal is to provide a satisfying return over a full market cycle compared to the Barclays Aggregate Bond Index.

At Horter Investment Management we realize how confusing the financial markets can be. It is important to keep our clients up-to-date on what it all means, especially with how it relates to our private wealth managers and their models.

We are now in year eight of the most recent bull market, one of the longest bull markets in U.S. history. At this late stage of the market cycle, it is extremely common for hedged managers to underperform, as they are seeking to limit risk. While none of us know when a market correction will come, even though the movement and volatility sure are starting to act like a correction, our managers have been hired based on our belief that they can accomplish a satisfying return over a full market cycle, -- while limiting risk in comparison to a traditional asset allocation approach.

At Horter we continue to monitor all of the markets and how our managers are actively managing their portfolios. We remind you there are opportunities to consider with all of our managers. Hopefully this recent market commentary is helpful and thanks for your continued trust and loyalty.

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Chart of the Week:

The chart of the week highlights a percentile distribution of PE ratios (Shiller PE 10 ratios) from 1881 thru the end of 2016. As equity markets have rallied since the Presidential election, people have been commenting that the markets are becoming overvalued. Out of the 1632 monthly PE 10 ratio data points since 1881, December 2016 (orange dot) ranks at the 96% level. Many believe that the new Trump administration goal of lowering taxes and reducing regulation will cause earnings to jump, thus providing a larger "E", which is the denominator in PE, and help keep the PE ratio from escalating too much above current levels.

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Low Risk

| HIM Model #7 | 100% short and intermediate-term treasury bonds |
| HIM Model #2 | 25% municipal bonds/75% ATMSX |
| HIM Model #1 | 15% high yield/85% ATCSX |
| HIM Model #6 | 10% short duration/80% high yield/10% strategic income |
| HIM Model #3 | 15% alternative bond strategies/14% short treasuries |
| HIM Model #20 | 14% convertible/43% dividend equities/14% corporate bonds |
| HIM Model #19 | 95% high yield/5% cash |
| HIM Model #20 | 50% MBS/50% ARESX |

Moderate Risk

| HIM Model #12 | 100% mid-cap |
| HIM Model #9 | 20% long S&P /80% ATESTX |
| HIM Model #8 | 98% long NASDAQ/2% cash |
| HIM Model #22 | 100% cash |
| HIM Model #14 | 25% cash/75% short treasuries |
| HIM Model #10 | 100% invested |
| HIM Model #15 | 100% invested |
| HIM Model #11 | 60% invested (16 stocks)/20% cash |
| HIM Model #21 | 15% long real estate/75% ARESX/10% cash |
2017 outlook for stocks if everything goes wrong

Investors that want to cover all the bases when it comes to market risk might want to consider the very worst-case – and best-case – scenarios for stocks in 2017. Wall Street’s predictions for the new year are out. The “base case” is for a gain of around 5% for the stock market in 2017. But a deeper dive into stock strategists’ 2017 outlook reports unearthed bearish scenarios that envision the U.S. stock market potentially declining between 10% and 30%. There’s also a bullish vision that sees stocks streaking 20% higher in the new year.

Year-end 2017 price targets for the Standard & Poor’s 500 stock index from strategists at 15 Wall Street firms see the large-cap stock gauge climbing to 2363, on average. That equates to a 5.5% gain from Friday’s 2016 year-end close of 2239.

This middling mid-single digit call is built on the premise that the economic recovery and corporate profit growth will gain speed, helped by renewed investor optimism after the election of Donald Trump and high expectations for the president elect’s growth-friendly platform. Trump’s call for lower corporate taxes, less regulation of businesses and sizable spending on infrastructure has spurred a positive upturn in investor sentiment. But the “bear case” – or worst-case scenario – laid out by a handful of strategists suggest the S&P 500 could end 2017 down as much as 10%, which adds up to a “correction.” Or perhaps plunge as much as 30%, which would put it well into bear-market territory, defined as a 20%-plus drop.

In its “Year Ahead Report,” UBS Wealth Management Americas, highlighted a key lesson from 2016: “Don’t confuse a base case with a done deal. The past year has been ignominious for base-case forecasts. Donald Trump won the U.S. election. Click here to read more

For some perspective on long-term interest rates today’s chart illustrates the 117-year trend of the 10-year Treasury bond yield (thick blue line). It is worth noting that the yield on the 10-year Treasury bond has been declining since the early 1980s. More recently, the 10-year yield has spiked to 2.4% and is now approaching support of its 20-year downtrend channel. One point of interest... Spikes in long-term yields tend to be a relative negative for the stock market as it tends to discourage investment while increasing the burden of existing debt. For example, the last two times the 10-year yield hit (early 2000 and 2007) support (green line), the stock market soon followed with a major decline.

“Note: The 10 Year Treasury interest touched 2.60% on December 16th, 2016 which was just shy of the green trend line. “

-Drew

Click here to read more

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100% short and intermediate-term treasury bonds
25% municipal bonds/75% ATMSX
15% high yield/85% ATCSX
10% short duration/80% high yield/10% strategic income
15% alternative bond strategies/
14% convertibles /43% dividend equities/14% corporate bonds
14% short treasuries
95% high yield/5% cash
50% MBS/50% ARESX

Current Model Allocations

Moderate Risk
HIM Model #12
HIM Model #9
HIM Model #8
HIM Model #2
HIM Model #14
HIM Model #10
HIM Model #15
HIM Model #11
HIM Model #21

100% mid-cap
20% long S&P /80% ATESX
98% long NASDAQ/2% cash
100% cash
25% cash/75% short treasuries
100% invested
100% invested
80% invested (16 stocks)/20% cash
15% long real estate/75% ARESX/10% cash