GOLDEN TRAIL
ADVISERS

Glass Half Full? (continued)

Stocks started the year with another leg upward after finishing 2016 on a strong note. This is further evidence of the overall optimism of investors. Some of the recent bumps in the road – the oscillating price of oil, the changes in Washington, the continued shift in retail sales to on-line venues and uncertainty with health care, have been overcome by this optimism.

Bonds have pulled back slightly as interest rates have edged higher. The Fed has been managing expectations that rate increases will come slowly to avoid causing too great of a setback on the economy. As rates increase, we have been allocating a good portion of our bond holdings to strategic income managers/funds. This has worked out well, especially now that rates have had several increases.

Alternative investments have varied from stable (Alt-Core) to strong (Alt-Allocation) to modest gains (Alt-MLP/REIT). After such a strong year in 2016, we are not surprised by the pause in Alt-MLP/REIT. We expect alternatives to continue to add meaningful diversification that offsets some of the volatility in stocks – without the negative effects that rising interest rates can have on bonds.

Looking to the future, we expect markets to be range-bound as tension continues between investors who believe we will see further growth in earnings versus those who think valuations have gotten too high. We believe diversification helps to smooth out the ups and downs of our portfolios. As always, we would be glad to talk with you about the current environment and the implications for the future.