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Q4 2016 – Market Overview Newsletter

Economic Update

The beginning of 2016 marked one of the worst starts for stocks we have ever seen but was followed shortly by a sizeable rebound. That kind of volatility hasn't been seen since the great depression. During that time the 10 year treasury hit a low of 1.66% in February but bounced back to 2% by March. The Federal Reserve decided to scale back their outlook on rate increases from 4 down to 2.

The end of the second quarter was also volatile with "Brexit" initially having a severe negative impact on the stock market. We also saw the 10 year treasury hit record lows in July even though the stock markets had already bounced back and ended the 2nd quarter positive. After Brexit, the third quarter was relatively uneventful. The S&P500 was up as were international markets.

Aside from a crazy election season, the 4th quarter remained relatively quiet. We didn't see a tremendous amount of volatility and stocks continued to climb even after the election. The S&P500 ended the year up 11.96%. Things seem to be chugging along for the economy, with a decrease in unemployment paired with an increase in jobs, and increases in inflation, GDP and home sales as well. International equity markets continued to lag in the fourth quarter, due to global growth concerns, volatile commodities prices, a strong U.S. dollar and potential isolationist trade policies from the new Trump administration. The policy reforms that Trump has proposed could continue to be a catalyst for the economy and stock markets but there are plenty of risks too.

As we move into 2017, keep in mind that quarter-end and other short-term results of a particular sector or asset class should not have a significant impact on your long-term investment perspective. If you would like to schedule a portfolio review, or if you have any particular concerns, please contact us.

For more market details, see the "Capital Analysts Q4 2016 Market Review" in the commentaries page on our website at www.langdonshaw.com/commentaries. -LS

Educational Topic:
Charitable Gifting

Do you donate cash to charitable organizations? If so, there may be a more tax efficient way to make those donations.

- Do you hold individual stocks? If you have an appreciated stock that you have owned for more than a year, you can contribute the stock directly to charity and receive a deduction for the fair market value on the date of donation. That means that you never have to pay tax on those gains.
- Are you 70 ½ with an IRA account? If so, you may gift up to $100,000 per year directly to charity. There are potential federal tax benefits since you do not have to recognize it as income. Plus if you live in a state, like Indiana, that does not allow a deduction for charitable donations you save state taxes since the income isn't recognized.
- A donor advised fund allows you to contribute appreciated assets to an account that you control. You receive the deduction at the time you contribute to the donor advised fund and can make subsequent donations to charity.

These are just a few ideas. If you are interested in learning more about these or other charitable gifting ideas please give us a call.

1. http://blogs.wsj.com/moneybeat/2016/03/31/sp-500-just-did-something-it-hasnt-done-since-the-depression

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The Dow Jones Industrial Average is a widely watched index of 30 American stocks thought to represent the pulse of the American economy and markets.

In general, the bond market is volatile, and fixed income securities carry interest rate risk. (As interest rates rise, bond prices usually fall, and vice versa. This effect is usually more pronounced for longer-term securities). Fixed income securities also carry inflation risk, liquidity risk, call risk and credit and default risks for both issuers and counterparties. Lower-quality fixed income securities involve greater risk of default or price changes due to potential changes in the credit quality of the issuer. Any fixed-income security sold or redeemed prior to maturity may be subject to loss.

S&P 500 Index is an index of 500 of the largest exchange-traded stocks in the US from a broad range of industries whose collective performance mirrors the overall stock market. Investors cannot invest directly in an index.

A commodity is a basic good used in commerce that is interchangeable with other commodities of the same type. Commodities are most often used as inputs in the production of other goods or services. The quality of a given commodity may differ slightly, but is essentially uniform across producers. When they are traded on an exchange commodities must also meet specified minimum standards, also known as basis grade. Gold, silver and oilare examples of commodities.

International investing involves special risks, including, but not limited to, currency fluctuations, economic instability, and political uncertainties, not typically present with domestic investments.

Gross Domestic Product (GDP) is the monetary value of all the finished goods and services produced within a country's borders in a specific time period, though GDP is usually calculated on an annual basis. It includes all of private and public consumption, government outlays, investments and exports less imports that occur within a defined territory.

Treasury notes (T-notes) are intermediate securities with maturities of 1 to 10 years. Denominations range from $1000 to $1 million or more. The notes are sold by cash subscriptions, in exchange for outstanding or maturing government issues, or at auction.

The Federal Reserve System (also known as the Federal Reserve, and informally as the Fed) is the central banking system of the United States. The Federal Reserve System is composed of 12 regional Reserve banks which supervise state member banks. The Federal Reserve System controls the Federal Funds Rate (aka Fed Rate), an important benchmark in financial markets used to influence the supply of money in the U.S. economy.

Past performance is no guarantee of future results.

Diversification does not guarantee a profit or protect against a loss.

Tax services are not offered through, or supervised by, Capital Analysts or Lincoln Investment Planning