



January 2017

4th Quarter 2016 Market Commentary

The Quarter in Review

The most notable news from the past quarter was the election of the 45th president of the United States, Donald Trump. From election day on November 8th through year end, the Dow Jones Industrial Average rose 7.80%, led largely by financial and energy companies. Healthcare stocks have been one of the hardest hit sectors since the election, while gold has lagged as well, after an initial price spike. In December, the Fed announced their 2nd rate hike since the 2008-2009 financial crisis, raising the short-term rate by 0.25%. Yields on the ten-year treasury notes have risen, in response, and the Fed has indicated a willingness to raise rates as many as three times in 2017.

Period Ending December 31, 2016

Table with columns: Annualized Total Returns (YTD, 1 year, 3 year, 5 year, 7 year, 10 year) and Calendar Period Total Returns (2016, 2015, 2014, 2013, 2012, 2011, 2010). Rows include Dow Jones Industrial Average, NASDAQ Composite Index, S&P 500, Russell 2000, MSCI EAFE, Barclays US Aggregate, and Barclays Global Agg. Ex-US.

Based on U.S. dollars

Source: RBC Wealth Management

The Year in Review

2016 started off on shaky footing, booking the worst 10-day start (source: www.marketwatch.com) to begin a year on record. Concerns about falling oil prices and stagnant growth in the Chinese economy sent the S&P 500 falling 10.5 by February, only to rally and erase those losses by the end of March. The broader indices consolidated over the spring and early summer months until late June, when the United Kingdom voted to leave the European Union. Over the following two-day period, the Dow Jones Industrial Average shed nearly 900 points on the surprise vote, however, had rallied to erase those losses within a week's time. The indices continued their consolidation pattern over the fall until the U.S. presidential elections in November, where broad-based equities finished the year on a strong note. The chart below of the S&P 500 Index calendar year 2016 price movements helps to highlight and illustrate the major declines and rallies of the past year:



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Sector Performance and Rotation

Economic sectors, such as consumer staples and energy, can act cyclically, meaning that there are periods of outperformance and underperformance relative to the overall markets. One aspect of our investment management process is to identify those sectors that are poised to perform well over the coming months to years. One sector we feel that has generally lagged the overall rebound in the major indices since the 2008-2009 financial crisis is the financial sector. After finishing down 1.5% in 2015, financials rebounded and finished the year up 22.8% (source: Bloomberg, Morningstar & Zephyr Associates). With the proposed directives of the new administration, we believe that the financial sector may have continued room to run.

Rising Interest Rates

As noted earlier, the Fed raised short-term interest rates by 0.25% in December, only the second interest rate hike since June of 2006 (source: www.cnbc.com). With rates poised to continue to rise, albeit at an unknown pace, we have positioned the bond funds in our models for a flat-to-rising interest rate environment. As the landscape of interest rates and the Fed's mindset become clearer, we will adapt our models accordingly in an effort to position our models to perform best based on the given scenario.

2016 Tax Reporting Information

Please find below the estimated tax mailing dates for the 2016 tax year. Please note that revised tax information summary for 1099 forms are estimated to be mailed on or around March 17, 2017. While many of you may have your tax appointment scheduled for an earlier date, we would encourage you to wait to file your tax returns until after this time. As we rely on information sent from outside investment companies, we are unable to determine who may receive any revised tax documents until this date. If you receive an amended Form 1099 after you have already filed your tax return, you should consult with your tax advisor about the requirements to re-file based on your individual tax circumstances.



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Tax Reporting Document	Estimated Mailing Date
1099-R	January 31, 2017
Fair Market Value Statements	January 31, 2017
1099 Tax Information Summary	February 15, 2017
Income Summary (FYI Statement)	March 15, 2017
REMIC Tax Information Summary	March 15, 2017
1042-S	March 16, 2017
Revised Tax Information Summary (1099)	March 17, 2017
5498	June 1, 2017

We hope you all had a wonderful holiday season and a happy new year! As we prepare to enter tax season, we would encourage anyone with questions regarding their tax documents to call us at your earliest convenience to discuss in greater detail. As always, we welcome your feedback and comments! If there is a particular topic of interest you would like for us to address in a future communication, please don't hesitate to ask!

Warmest Regards,

-The Abrahamson Investment Group
Kirk, Mike, Dana, & Colby

The views presented herein are solely those of the Abrahamson Investment Group and do not necessarily represent the views of RBC Wealth Management. Current status of issues discussed in this letter is subject to change based upon market conditions and industry fundamentals. Clients should work with their Financial Advisor to develop investment strategies tailored to their own financial circumstances. Past performance is no guarantee of future results.