



April 2017

1st Quarter 2017 Market Commentary

The Quarter in Review

For the quarter, equity markets continued their outperformance of their fixed income counterparts, helped in part by the proposition of corporate and personal tax reform. Additionally, unemployment in the United States continued its downward trend, dropping to 4.5% with the March job numbers. Even the global economy is showing signs of life, as broad-based earnings growth has followed as consumer confidence soared to near pre-crisis levels (source: JPMorgan Asset Management).

Period Ending March 31, 2017

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

Fixed Income versus Equities

As expected, the Federal Reserve raised the benchmark interest rate one-quarter of one percent in March, to a target range of 0.75% to 1.00%. The Fed has indicated the potential for two additional rate hikes in 2017, though the timing of these remains unclear. While rates initially rose during the quarter, they have pulled back since the March 15 Fed meeting, with the ten-year rate hovering around 2.4% as of quarter end.

As previously mentioned, international markets outperformed U.S. markets in the first quarter. In our last newsletter, we discussed sector performance and rotation, which is the idea that sectors of the economy perform cyclically. This also holds true in regards to international and emerging markets versus domestic markets. Since the financial crisis of 2008-2009, international markets have generally lagged relative to the U.S. markets. These periods of under- and out- performance typically cycle in 3 to 7 year periods. While it's too early to know with certainty, we believe that this could be the beginning of a new cyclical cycle where internationals outperform domestics. We will continue monitoring this area and will make portfolio changes in our Focus models as necessary.



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The attached chart at the end of the newsletter helps to illustrate the phases of international outperformance and underperformance, relative to U.S. equity markets. You can see that since 2010, international markets have outperformed large cap stocks only once, while internationals dominated the early-to-mid 2000s.

Portfolio Focus Changes

In regards to our Portfolio Focus models, we did make a couple of changes in the last quarter. On the fixed income side, we added the Putnam Diversified Income Fund (PDVYX) in an effort to position our fixed income allocation in anticipation of further interest rate hikes. Additionally, we removed IBM from our Investment Stock Model and replaced it with Facebook Inc (FB). As the company has been better able to generate advertising income, we believe that Facebook will be better positioned to outperform the broader indices going forward.

What's New with Us?

For those of you who hadn't heard, Kirk had his first hole-in-one last October out at Wakonda where he aced number 14. Not to be outdone, Mike notched his first hole-in-one earlier this month while celebrating his birthday out at Jester Park. Both still trail Kirk's wife, Dianna, however, who has 2 hole-in-ones to her name.

Dana and her husband, Chad, are beginning the process of remodeling their garage and will start the demolition process shortly. Other than the concrete work, they'll be completing this project themselves.

Colby is trying his hand at beekeeping this spring in an effort to help combat Honeybee Colony Collapse. He'll keep two hives in his backyard, which could each average 50,000 bees during the summer months. If everything goes well, he could harvest upwards of 100lbs of honey later this year.

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



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As of March 31, 2017

PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS.



Wealth Management