Taking the Path with Non-Partisan Eyes

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In This Letter

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Yogi Berra once opined, "When you get to a fork in the road, take it". For investors, which path should we take? One path says the market is long in the tooth and the new political establishment is going to get us lost. The other path leads to the brighter hopes that the consumer stays optimistic and business remains strong. First, an update…

An Update on the Economy

With a mild March, the DJIA still rose 4.6% for the first quarter of 2017. President Trump's health care bill was squashed, which left many investors wondering if the White House's capital friendly agenda will come to fruition.

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For the second time in three months, the nation's central bank hiked up key interest rates. Investors largely expected the move because by raising rates the Fed is acknowledging that the economy is improving.

84% of the world has been showing expanded manufacturing activity. This is the best level since 2014. This synchronized worldwide recovery has indeed helped optimism stay strong. Consumer confidence has surged to its highest level since 2000. Perhaps this rally has less to do with Trump and more to do with the fact that global economic data has been consistently strengthening. Only time will tell….

With the U.S. and Global economy picking up steam, we're still not at a point where the Fed will be compelled to significantly increase key rates. Actually the Fed isn't driving interest rates, market rates are the driving force so we aren't overly worried about the Fed right now. The Fed is unlikely to be a drag on growth any time soon.

Which Path Should Investors Take?

We recommend taking the more bullish path. We are not in the 1st inning of this bull market, but feel this bull still has room to run – albeit slowly. We'll probably see the same slow growth we've seen in recent years with potential surprises for the upside.

Although, the economy seems to be poised for growth, we wouldn't be surprised to see some downside surprises. We live in politically uncertain times. It is best to view your investment portfolio with non-partisan eyes and focus on the global economy and corporate earnings. We should not view the current economic prospects through the lens of our political bias.

Although we intend to take the optimistic view, we still expect to walk carefully. Remember, you'll still have struggles along your path, but you should be fine. We'll take a backpack full of emergency equipment and water. Some of that emergency equipment may include shorter and intermediate term bonds, alternative investments, cash, and commodities. We know we'll get some tough terrain and are prepared to get through it.

It does not feel like it is time for any major shifts to your personal asset allocation. However, personal goals and time horizons can mandate larger changes. We feel your portfolios are, generally, already in keeping with your goals and preferences. We have already made some subtle rebalances to your asset allocation, to maintain the original integrity of your portfolio.

Let’s try to ignore a lot of the rhetoric from Washington. The story of the month will only sidetrack us from our long term goals. Instead, let’s focus on the data, which looks good.

Keep the course. Take a backpack and try to enjoy the scenery. You will hear and see pollution from time to time, but never forget brighter skies should appear.