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2nd Quarter 2017 Commentary | July 2017

The Markets Continued to Perform: The market continued to slowly progress into new territory with the DJIA closing at almost 21,350 (it crossed 20,000 for the first time last quarter). While interest rates were increased in March and caused the market to dip, it was minor and quickly recovered lost ground.

The Goldilocks Trend Continues

Year to date, the markets have continued to perform strongly. It's been awhile since almost every asset class has closed higher over a six-month period. In fact, this is all a bit contradictory. Gold being up usually means uncertainty. Higher bond prices means the economy is weaker than expected. But stocks rising means the global economy is improving. Adding another contradiction to the mix is receiving disappointing economic data at the same time that earnings growth is improving. Between stocks and bonds, which should next perform best? The market appears to believe both at the moment. Stocks have made new highs even as economic data has disappointed. Economic data may be weaker, but there is no sign of recession. And with no recession and earnings growth still evident, a notable drop in stocks (greater than 10 percent) is not likely in the near future.

The argument of the bulls is that for the past 10 years, fear (of the Fed, of inflation, or of the Chinese economy for that matter) has been a losing trade and the markets have continued to perform. So what do we do at this point? Continue to stay diversified within our chosen asset allocation strategy as we enjoy the summer.

Things to Watch in the Months Ahead

The following items may be noteworthy over the next few months:

- **Price of US Crude Oil:** After tumbling 46% year-to-date due to the market being oversupplied (its worst 6-month performance since 1998), it is expected that oil prices will rise as the oversupply dwindles. This will likely trickle down to higher prices at the gas pumps.
- **Regulation of Banks:** The Federal Reserve gave a passing grade to all 34 banking institutions that it checks annually for financial soundness (the first "all clear" since Fed testing began in 2011). Many bank stock values surged as investors cheered higher bank dividend announcements following the Fed's statement. With the potential for an ease in regulatory pressure, this might give the economy a shot in the arm after years of caution. But it also could set the stage for a return to the bad old days of enormous leverage and freewheeling deals. The 10 largest American banks hold 80% of all banking assets. Hopefully the Feds will continue to closely monitor this concentrated financial power.
- **Interest Rates:** As the Feds continue to slowly increase interest rates (to offset any increase in inflation due to a robust economy), higher borrowing costs for businesses and consumers could offset whatever benefit may occur from a slightly easier credit environment due to a healthier banking system.

June 30, 2017 Benchmark Returns

2017	2 nd Quarter
Large-Cap US Indices	
Dow Jones Industrial TR	3.95%
Standard & Poor's 500 TR	3.09%
NASDAQ Composite TR	4.16%
Russell 1000 Growth TR	4.67%
Russell 1000 Value TR	1.34%
Small-Cap Indices	
Russell 2000 Growth TR	4.39%
Russell 2000 Value TR	2.46%
Large Cap International Indices	
MSCI EAFE (Local Currency)	3.95%
MSCI EAFE (US Currency)	6.12%
Fixed Income Indices	
Barclay's US Aggregate Bond TR	1.45%
Citigroup World Govt. Bond	3.81%
Real Estate Indices	
Dow Jones US Select REIT TR	1.64%

** Index performance is provided as a benchmark only. The performance of your individual portfolio will vary from that of any one index. Past performance of an index is never a guarantee of future results.
NOTE: TR=Total Return (includes reinvested dividends).*

Financial Planning Tips

Keep your computer (and information) secure. Cybersecurity is more important than ever with cyberattacks becoming widespread across the world. Here are some helpful hints to help keep your information safe:

- **Never click on an email attachment from someone you do not know.** This is the most common method used to infect your computer.
- **Ensure you have a firewall program active.** Most computers come with a firewall already installed (e.g., Microsoft Security Center is included with its operating system).
- **Install an antivirus program on your computer AND keep it updated on a regular basis.** New malware will not be detected with an out-of-date virus protection program. Most antivirus programs can be set up to automatically update (or let you know when an update is available).
- **Run periodic antivirus scans.** For instance, set up your program to automatically run a scan at least once a week. Be sure to run a scan if your computer suddenly starts running slower than usual or does something out of the ordinary.
- **Do not download software from an unknown source (especially if it is "free").**
- **Passwords should be difficult to guess.** For instance, don't use a pet or child's name.

Enclosed Investment Reports

2nd Quarter 2017 Reporting:

- *Aggregate Overview; Current Value, Asset Allocation and Performance; summarized by Portfolio and Combined Portfolios, as applicable*
- *Holdings Analysis by Account; summarized by Asset, Account and Asset Allocation*
- *Statement of Fees for the 3rd Quarter 2017 (based on 06/30/17 values)*
- *Disclosure Statement*

Please remember that this investment reporting is for informational purposes only and you should also refer to the investment statements you receive from your brokerage custodian.

As always, we appreciate your continued confidence and trust. Should you have any questions or concerns, please contact us.

Best regards,



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