Dow 20,000! And You're Invited to Attend our Seminar on The Trump Affect to the Markets

By Bob Deitrick, CEO
February 12th, 2017

You are Cordially Invited to Attend our Upcoming Seminar to be held on Wednesday, March the 1st at Eddie Merlots at 6:15 p.m. The Primary Topic to be discussed will be the Trump Effect on the Equity Markets. Please RSVP to Steven at: 614.901.3400.*

January and February are the season for predictions about how the stock market will perform in the new year and the hot sectors and stocks to buy as well. But before you call us to reconfigure your portfolio, please consider a few facts:

One year ago, many of the so-called experts predicted that it was time to get out of the market altogether when the Dow stood 15,660 - on February 11th… Who would have guessed that Great Britain would have actually voted to exit the EU, or that Donald Trump would be elected our President. A year later, the Dow has topped 20,000 for the first time, retested that milestone and is now climbing to all-time highs today for the 5th day in a row... Who would have guessed a year-ago that all of these things might have happened?

It's difficult to make predictions about the future. Having said that, we stuck to our guns and to our prediction of Dow 20K. Last summer, with stocks (seemingly) fully priced and given the contentious presidential election, Goldman Sachs, the most prestigious Wall Street wire house, predicted that the S&P 500 would not rise at all by the end of 2016. In fact, the S&P 500 went up 5% by the end of December, and the Dow rose by 9% to the surprise of many.

Now, with the market moving forward and given the very strong January showing that we had, we at Polaris Financial Partners believe there is a very good probability that the market will continue to move up with Donald Trump at the helm. The key to benefiting from this rally will be to select the "best-in-show" sectors and stocks moving forward. This will not be a broad-based rally like the '90's - this will be a rally driven by specific sectors and stocks.

Last year's predictions were more cumbersome than usual. Stocks rallied despite fears of a collapse following the Brexit vote and Trump's surprise victory. But just because the bears have been wrong so far does not mean that the bulls are always right either. Many prognosticators are making rosy predictions based solely on the prospects of higher economic growth caused by fiscal stimulus and deregulation from the Trump administration. We think the three-legged stool that Trump is proposing is solid which includes:

- ***Less government regulation which costs businesses billions of dollars.***
- ***Substantial Tax Cuts for individuals, small business and corporations.***
- ***Infrastructure Spending that could be $1.0 Trillion or more in 2018.***

At the end of the day, what Trump is proposing is similar to what Reagan did in the '80's - which worked. However, we believe what will ultimately drive stocks upward are corporate earnings which have been strong this year. Earnings have been good this quarter and we believe that earnings may grow in the range of 7% to 10% in 2017. If this materializes, in tandem with Trump's proposals – we believe this will be a very good year for equities.

The sectors and stocks that we believe will be in favor under President Trump start with materials. Things that if you dropped them on your foot would hurt - like concrete, steel, ball bearings, aluminum, coal etc. We also believe that industrials, telecommunication stocks, healthcare and technology stocks will perform well given the Trump Effect. We are moving back from a defensive, value-based model to a growth model in 2017 as this rally enters the 4th quarter and an overtime - like we saw in the Super Bowl recently.

We do have concerns though. The "stimulus" which Trump has proposed may be less impactful than predicted. It also could cause a surge in interest rates that may put a squeeze on stocks and real estate. Geopolitical events outside of the United States could temper economic growth at home as well. The other concern that we have is that Trump could set off a trade war, that could put the market and this rally at considerable risk as well.

Having said all of that, presently, we believe this is a risk-on trade in 2017. This year is beginning to look like 2013 and 1997 – both of which were very favorable for equities.

Our recommendation is that you not pay attention to all the pundits on the Dow and with respect to the stock market generally. Predictions come cheap because their authors pay no more of a price for being wrong than those who predicted that Atlanta was going to win the Super Bowl at half-time last weekend.

The best counsel we have for you, our clientele, and our friends who are looking to build a retirement nest egg or to save for college costs remains very straightforward:

- ***Spend beneath your means… this is key.***
- ***Invest in a thoughtful well-diversified strategy for the long-term.***
- ***Invest within your tolerance for investment risk.***
- ***Don't attempt to time when the market is going to go up or down.***

Please strive to attend our upcoming seminar on March the 1st as we would love to have you there, and if you have not seen us for a review this quarter, as many have, please call us or look for a call from us to sit down to review your accounts and to consider some of the course corrections we are recommending given the Trump Effect. Have a great week!

****Limit of 50 guests at Eddie Merlots for March 1st.***