HollisWealth®

Outlook 2017

Our HollisWealth Team are all looking forward to 2017, looking forward to meeting with clients, discussing your plans for the coming years and looking forward to 2017's investment opportunities.

Traditionally many investors look only at current values, up or down and if it's up they chase it, they make decisions based upon the here and now. This past year offered multiple times to question a position or the direction of markets but didn't really give an investor any easy answers and we only have to look at gold as a prime example.

Gold could be the perfect example. Gold was among the best performing asset classes for most of the year 2016 but that was before a good pull back in that sector. Now that we have had a break in the price of gold we feel this coming year could have gold outperforming other asset classes again plus be a hedge to inflation and a safety net to protect an investor's portfolio.

We added to our gold and silver positions in 2016 in advance of what we feel will be the next upward stage in gold price. Gold will almost always soar someplace in the world and we see where it is heating up now. Currently physical premiums are in India and China, both trading at historic highs given how their citizens are looking for alternative investments to their currencies. Currencies slide when political turmoil spreads and a good example of such is Venezuela, no explanation needed as to why gold is rising in that country. Political turmoil can lead to economic turmoil. Gold is a hedge against inflation but also economic instability.

Interest Rates, Where too from here?

We are among the first to agree that interest rates have been too low for too long, but not the first to agree that interest rates should not rise a lot. (But we don't disagree rates should be nudged up again in 2017). This past week a decision was made by the U.S. Federal Reserve to raise interest rates .25%. A quarter of a percent isn't a lot but it does have meaning.

It's been 10 years since the Feds last increased their interest rate and this week it was a token .25%.

Lower rates have affected governments, savers and investors over the past 16 years (two terms for each; Bush and Obama) and now the Current Account Debt in the U.S. has increased (collectively) by $15 trillion. That is almost $1,000,000,000,000.00 (one trillion) per year on average and today the U.S. Current Account Debt is $19,884,323,271,403.23.

We could ask the question; how did the US go from just under $5 trillion debt 16 years ago and now to $20 trillion (rounded off)? In our meetings this should be our clients' leading question, "Why? Where to from here? Where's the best investment to hedge against this debt?"

Source: Go to the link and enter the current date under (ending date) and view the most up to date debt.

https://treasurydirect.gov/NP/debt/search?startMonth=&startDay=&startYear=&endMonth=12&endDay=23&endYear=2016

When raising interest rates they must do something to counteract the cost of governments borrowing by moving their economies on their own power; not just printing more money that adds to the debt.

Fed Chief on Interest Rate Increase

"*Our decision to raise rates…is a reflection in the confidence we have in the progress the economy has made and our judgment that progress will continue. And the economy has proven to be remarkably resilient, so it is a vote of confidence in the economy,"*

- Fed Chief Janet Yellen

The U.S. economy has proven to be resilient according to Yellen and therefore the Fed has agreed to test it once again, a year after the Federal Reserve boosted the key interest rate for the first time in nearly a decade, it has finally raised it again. The move is an indicator of the central bank's confidence in the health of the U.S. economy.

http://www.cnbc.com/2016/12/14/fed-raises-rates-for-the-second-time-in-a-decade.html

Now it appears they are going to disregard for the short term move to increase in rates and the insurmountable debt while allowing it continue to rise and and now push for generic growth (real growth) to pay higher interest with higher taxable income to pay more taxes to cover their own cost of higher interest rates on $20 trillion. The problems we see are two fold - they're raising the cost of borrowing too light a wick under the economy and will continue to pile on more debt for the short term. How do investors view that – and how will it affect your portfolio? How do you plan? That is what we want to talk to you about in our meetings.

But Do Higher Interest Rates Make Sense?

Well there is this component – "Real Growth!" Is it possible that the U.S. and the world can start the engine of real growth? We think so.

The world is at this impasse where choices are limited and it has to start doing something. We certainly don't disagree that things have to change because the outcome of doing nothing other than borrowing to pay for our futures can't last. And keeping interest rates low to accommodate bad habits isn't a solution, it's barely a Band Aid.

So how might this all work for investors?

Staying diversified, adding gold and making strategic changes are all part of a process. As mentioned above, we are looking forward to 2017's investment opportunities; we believe we will see real growth – something we have not seen for at least a decade. Looking back over a decade most of the growth, if not all of the growth, has been due to increased borrowing at too low an interest rate.

Therefore, we leave the year 2016 and previous years with valuable lessons and with opportunities to move forward. Our staff and our management team are extremely knowledgeable and can provide clients with sound information and service. We all look forward to serving you, answering your questions and working with you to plan your futures.

The Recent Changes We Made to Registered Portfolios:

Lowered our Cash Position
Increased our Fixed Income Position
Increased our U.S. Position
Increased our International Position

The Recent Changes We Made To Non Registered Portfolios:

Lowered our Cash Position
Increased our Canadian Position
Increased our U.S. Position
Increased our International Position