ABUNDANCE
WEALTH COUNSELORS

Market Intelligence

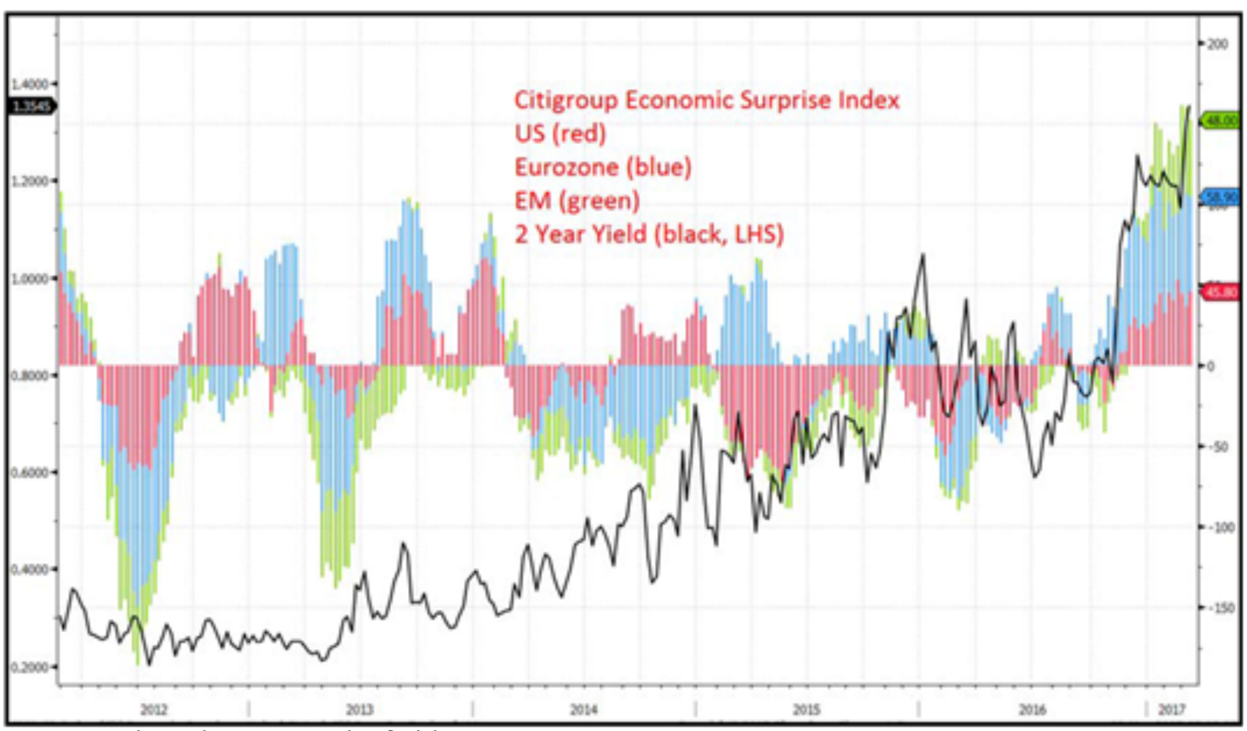
March 2017

Index	Feb Return	1 Year
MSCI ACWI	2.81%	22.07%
Russell 2000	1.93%	36.11%
MSCI EAFE	1.43%	15.75%
Barclay's Aggregate Bond	0.67%	1.42%
Bloomberg Commodity	0.21%	15.95%

February was another strong month for the equity markets with the S&P 500 up 3.97%. The large cap US index is now up 24.98% over the past 12 months. Only a year ago the capital markets were experiencing a selloff due to concerns over slowing global growth. At that time one could not have expected that there would now be a growing consensus that the Federal Reserve will be raising interest rates due to positive global growth.

Positive Economic Growth & Associated Risks

The 2016 first quarter selloff a year ago most likely marked the low in commodity prices and industrial activity for the current economic cycle. There has been meaningful progress in both for the US and global economy over the past year. Below is a chart of the Citigroup Economic Surprise Index which includes the yield on the two year US Treasury. A positive reading of the index suggests that economic releases have on balance been beating consensus estimates. The far right of the chart shows the US (red), Eurozone (blue) and Emerging Markets (green) have now all moved up to multi-year highs on the index. At the same time shorter term interest rates (black) have been steadily climbing from historically low levels which is a reflection of the improving economy.



Source: Bloomberg & Marketfield Asset Management

The positive economic data has been developing over the past year, and the agenda of the Trump Administration, which is pro-growth, should only support those trends. Although the global growth will help to support corporate earnings and stock prices, it should also mark the end of the three decade long bond bull market.

As bonds are an integral part to any diversified portfolio, the risk now associated with this asset class should be managed carefully. Our investment process, which is based upon a moderate allocation, dictates 30% to 45% of a portfolio to be invested into bonds. Bonds, or fixed income, provide cash flow and act as "portfolio insurance" during market declines. Therefore we will always have an allocation to fixed income. However, we are managing the potential risk to this asset class by having an allocation at the lower end of the range (30%), and investing in bonds with shorter maturity dates.

In addition, we are utilizing various hedging strategies to offset the overall portfolio risk of having a lower allocation to fixed income. These hedging strategies typically have low correlation to traditional stocks and bonds and assist in reducing portfolio volatility.