



Portfolio Shift Commentary: June 7, 2017

The New Divergent

No, this article is not describing the third remake of the movie about the futuristic dystopian world divided into fractions; it describes our current political environment versus the new highs of the U.S. Stock market. Despite all of the political waves the U.S. market continues to move to higher.

For the first time in six years we are seeing a rise in broad-based earnings growth in 30% of the MSCI all Country World Index. The expectation by most analysts is for double-digit Earnings per Share growth over the next year in those markets. With the United States slightly expensive, but still growing and Europe, Japan and Emerging Markets relatively cheaper than the United States, the rest of the world is looking pretty attractive.

Fixed income rates are expected to rise on the short maturities next week when the Federal Reserve meets, but longer term rates have been coming down reflecting growth not as robust as once expected. Labor markets continue to heal and unemployment is at its lowest level since 2007. Some watch what they call the “true” employment rate, which includes discouraged workers and part time employees. That number is 8.6%; it is also at the lowest level since 2007. Consumer debt burdens have declined and wages and salaries have increased 5.5% in the past year outstripping inflation. Despite the economic numbers real economic growth has been around 2% a year. We believe this is reflected in longer term yields still showing good, but slow growth. We are making a few changes in your portfolios reflecting the sentiments expressed above. Please feel free to call me for more detailed information about the markets or your portfolios.

Best Regards,

Teresa Finney, WMS AIF

Senior Vice-President, Investments

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