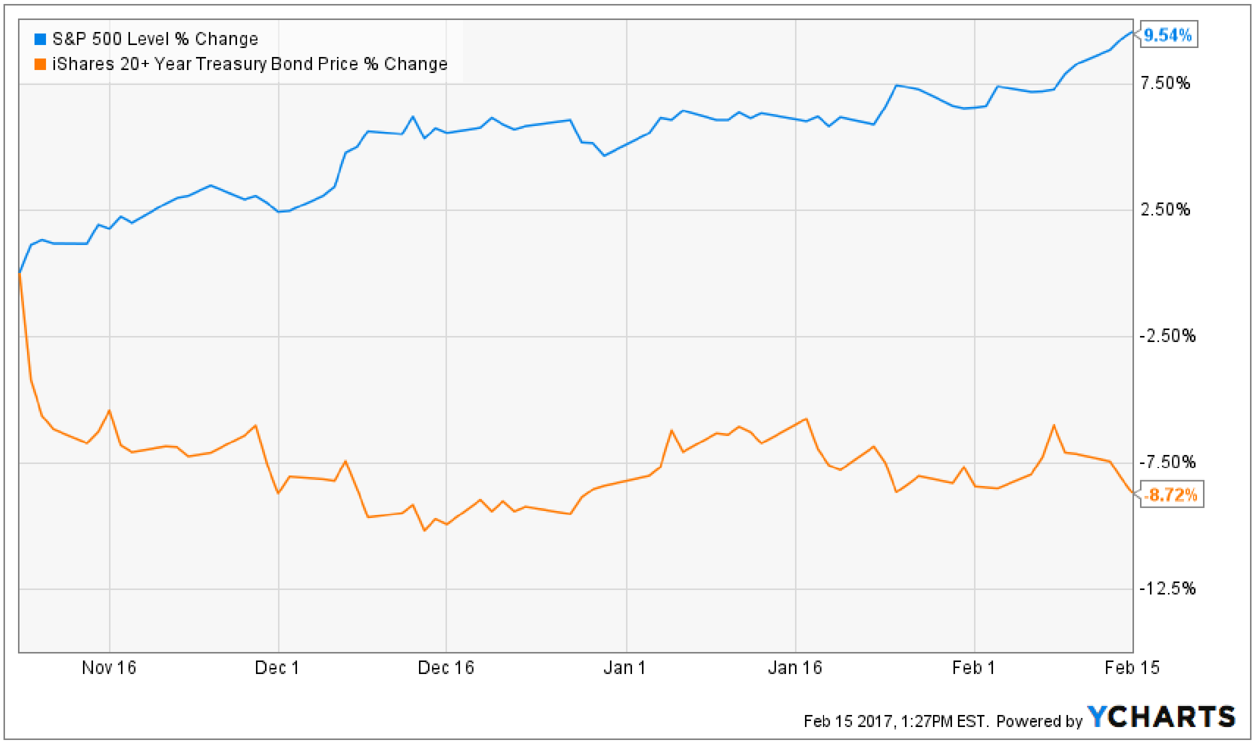
Market Update

February 15, 2017

Markets, Federal Reserve Comments and the Fiduciary Rule

Markets

The Ten Year Treasury rate is hovering around 2.5% currently. The TLT, a proxy for long term U.S. Treasury bonds, has traded down a bit since last month's update. It has however, been a bit range bound in trading, indicating that long term prices for bonds are somewhat stable at this time. The S&P 500 has continued to rally during this period, as the blue line in the chart below indicates its percent gain since November 8, 2016.



Information in this chart above was taken from sources we believe to be reliable; however we do not guarantee its accuracy or completeness.

The S&P 500, DOW and NASDAQ continue to reach new highs with very little indication as to exactly when they may slow down and reverse course a bit. I do expect to see a market pull back at some point of potentially more than 5% which is common and healthy during bull market runs. The timing of this pull back is not clear and when it does occur it will likely not change my outlook on stocks and portfolio holdings very much. It is important to note that this could change depending on the data available at the time. Many pullbacks often are associated with a deterioration of investor sentiment which can often make them feel much worse. Assessing the overall economic landscape at those times is critical to making decisions on whether to ride them out or make changes.

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Federal Reserve

As I mention in last month's market update, we believe that the interest rate environment in the very near term has stabilized but we do believe we are in a period of rising interest rates. As recently as today, members of the Federal Reserve have come out with comments supporting this. Some of them have hinted that as many as 3 rate hikes for short term rates may be on the table for 2017. This development is now being looked at as a positive for the markets and the economy. The Federal Reserve's mandate is to enact monetary policy that supports maximum employment, stable prices and moderate long-term interest rates. The most notable tool they have is setting short term interest rates called the Federal Funds rate. This is the tool most commonly used to combat higher prices in order to help manage a healthy inflation rate. It is important to note that lowering rates is helpful in managing economic downturns and recessions. Introducing higher rates during times of economic expansion and inflation also provides the room needed to lower rates in the future.

Fiduciary Rule

Recently, the Trump administration executed an executive order reversing President Obama's fiduciary rule regarding advisors who manage retirement assets that was to go into effect in April. While reforming this piece of regulation does lead to more choice's being available to investors, the concern is it can potentially lead to abuse. The idea behind the fiduciary rule was that anyone managing retirement assets must adhere to a fiduciary standard of care while doing so. This standard requires that the person managing these assets must put their clients best interest first, not the interest of the firm they work for or themselves.

As a Registered Investment Advisor, Prominence Capital GP, LLC is bound by the fiduciary standard of care. Should you have any questions regarding this please contact me at 310-433-5378.

Our View

Currently, our view on the markets has not changed. We still prefer domestic equities over international equites over the next 6 to 12 months. However, global equity exposure is still important to maintain. We will continuously monitor the U.S. and global economic environment for signs that indicate a reason to be more favorable toward International Equities. Maintaining a low duration/shorter maturity outlook for bonds and fixed income is our view for the foreseeable future. Based on the current environment, we feel it is prudent to maintain the lowest duration and shortest maturities possible specific to investors individual needs.

If you have questions or would like to discuss this further with regard to your personal portfolio please contact me at 310-433-5378.

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