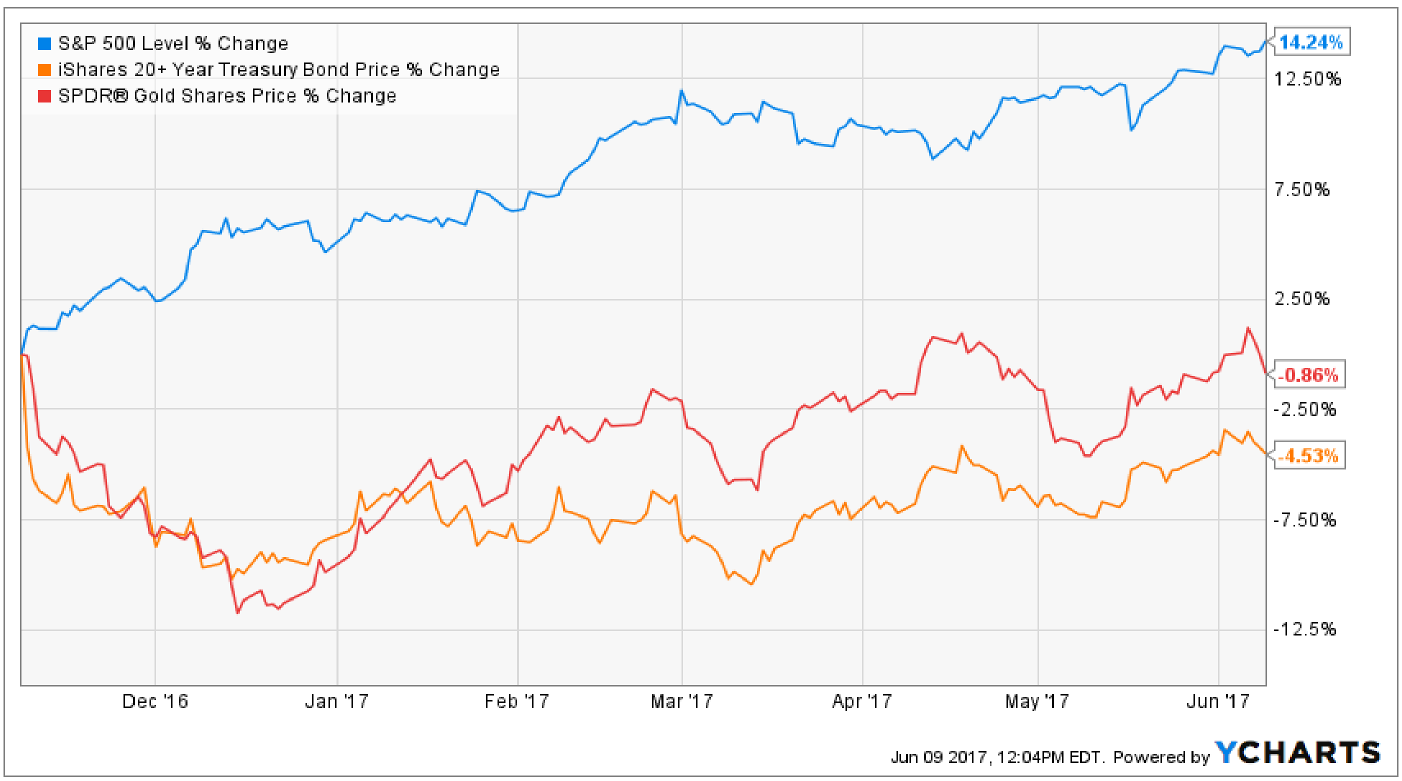
Market Update

June 9, 2017

Equity Markets Continue to New All Time Highs

U.S. equity markets are hitting new all-time highs today. This week the financial sector of the market has been leading the way. The group is posting its best returns since late April. Historically, when financials lead the way, it is often considered very positive for the markets over all. An economy cannot run and markets often cannot do well without the financials as part of the leadership group. Since last month, the markets have been able to shrug off terrorist attacks, former FBI Director James Comey's congressional testimony and British elections, which have cast more doubts about the fate of Brexit and have hammered Britain's currency. Since the beginning of this year, the S&P 500 is up over 9% and up over 14% since the election, as the blue line in the graph below indicates. Bond prices are down as indicated by the orange line in the chart below, which is for TLT a proxy for long term bonds. The redline in the chart below is for GLD a proxy for the price movements of gold. For the same period, gold is down less than 1%, but it is important to note that gold and bonds will often do very well when the world is experiencing fearful events like terrorist attacks.



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

As I mentioned in last month's market update, as things have evolved over the past 8 plus months, the rationale investors are using to continue to put their money in equities has shifted a bit, in my opinion. Many investors feel that the Trump bump is already priced into the market. What may now be fueling things are the continued improvements in the employment markets, strong corporate earnings, still historically low interest rates, and a

Market Update

June 9, 2017

Federal Reserve that has been extremely measured in their approach. These are a few of the main themes that indicate why the market is where it is today and why there is confidence that movement will continue in a positive direction for some time. The markets are still looking forward to a tax reform bill and a healthcare bill being passed, which could add a little bit more fuel to the markets. Something that has gone unnoticed in the past couple of days is that the House has passed a bill to repeal Dodd-Frank. While this can certainly unleash the banks ability to lend more, it is also prudent to get the replacement bill right and not create another environment comparable to the 2000's. If it is easier to borrow money the economy will benefit. The concern is not to make it too easy. Lastly, some areas of the market seem to be highly priced, such as technology. Short term, we expect to see an increase in the potential of some pull back as other sectors reach higher prices.

We are watching geo-politics and continue to look for opportunities to reduce equity risk (beta and standard deviation) through changes to the equity holdings inside client's allocations. We still prefer domestic equities over international equites, however, international markets are seeing inflows and are providing compelling return opportunities as well. The majority of our portfolios hold a percentage of their assets in international investments, which should benefit from improved economic indications globally. We will continuously monitor the U.S. and Global economic environment for signs that indicate a reason to be more favorable toward International Equities. As we stated before, we continue to look at ways to lower the risk of a rising interest rate environment and continue to make needed changes to further reduce duration risk in our fixed income holdings. Maintaining a low duration/shorter maturity outlook for bonds and fixed income remains 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 investor's 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.

James M. Liotta, CFP®, AIF®, NSSA®
President
Prominence Capital GP, LLC.
jliotta@prominencecapital.com
www.prominencecapital.com

PROMINENCE CAPITAL