Hinds Financial Group, Inc.
Registered Investment Adviser

141 Union Boulevard Suite 350
Lakewood, CO 80228
P.303-985-9889
F.303-985-0146

Hinds Financial Group Quarterly Economic Outlook Q2 2017

Trends and Takeaways from 2017's First Half

US Stocks

So far so good. In spite of last year being a very good year for stocks, 2017 has been good through the end of June. Growth and large-cap stocks continued to outpace other U.S. equity categories in Q2 due to their exposure to the improving international economic backdrop. Sector performance was varied, though mostly positive, with only energy and telecommunication services experiencing outright declines—due to falling crude oil prices and price competition, respectively. For the first half of the year, the S&P 500 gained more than 9%, whereas the Barclays Aggregate (Bond Index) returned just 2%.

International Stocks

Our portfolios at HFG have kept the faith and hung onto our international stock holdings despite foreign stocks' long-running underperformance relative to the U.S. We are being rewarded in 2017. Both developed- and emerging- markets equities (Growth Portfolios only) benefited as international corporate earnings accelerated into positive territory, following several years of profit recession. Attractive valuations are favorable for international equities—P/E ratios for most equity markets are lower than those in the U.S. and the U.S. dollar remains at the upper end of historical ranges versus major currencies.

Bonds

The Federal Reserve Open Market Committee has hiked interest rates four times since the end of 2015. But despite a lot of hand-wringing over the past several years about what higher rates would mean for the bond market and bond prices, the bond market has dealt with the Fed's actions in a very orderly fashion. True, long bonds have taken some hits, but the impact on our average bond fund has been pretty minimal.

Bonds' recent returns haven't been stellar. But we continue to believe that the main role for bonds and cash in a portfolio is to serve as a hedge against declining equity markets. It's possible that a spike in inflation could cause the Fed to take more aggressive action that could catch the bond market off guard, thereby spelling trouble for bond prices. But investors who focus on short- and intermediate-term bonds and bond funds for their core fixed-income holdings won't likely experience extreme volatility, while earning a better return than cash over time. These are positions we hold in our model portfolios.

Summary

Securities and some advisory services offered through Cetera Adviser Networks LLC, Member FINRA/SIPC.
Advisory Services also offered through Hinds Financial Group. Cetera and Hinds Financial Group are not affiliated.

Risks remain and there are indications of slowing growth, but the outlook for the U.S. economy is positive. High levels of confidence and increased income and spending bode well for second-half growth. And, as growth speeds up around the world, the U.S. should benefit.

Nevertheless, we are bound to see volatility in the short and intermediate terms. A well-balanced portfolio designed to match objectives and hedge against the inevitability of less positive conditions in the future remains the best means to achieve financial goals.

If you have any questions, please let us know.

Hinds Financial Group

Securities and some advisory services offered through Cetera Adviser Networks LLC, Member FINRA/SIPC.
Advisory Services also offered through Hinds Financial Group. Cetera and Hinds Financial Group are not affiliated.