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Hinds Financial Group Quarterly Economic Outlook Q3 2017

US Markets

After a volatile first half in which growth stocks posted double-digit gains while energy stocks suffered big losses, U.S. stocks settled down in 2017's third quarter. With the U.S. economy slowly chugging along, corporate earnings producing few major surprises, and oil prices on the rise after sinking in the year's first half, the major stock indexes all produced modest single-digit gains for the quarter, with the S&P 500 hitting new all-time highs. Although there was plenty of news, including devastation from hurricanes and continued political turmoil in Washington, D.C., the markets mostly shrugged it off.

International Markets

Foreign-stock funds posted another quarter of solid gains, with the typical foreign large-blend offering gaining 3.85% in the three months through Sept. 28, 2017. Many of the trends evident in the first half of the year remained in place, such as robust emerging-markets returns and strengthening foreign currency. However, this currency strength somewhat obscured the divergence between developed- and emerging-markets equities. While the 6.9% return of the MSCI Emerging Markets Index in dollar terms was largely the same as what the index gained in local currencies, the U.S. dollar's weakness masked what was a largely flat quarter for developed-markets shares.

The MSCI EAFE Index, a proxy for developed markets, rose 3.9% for the third quarter when measured in U.S. dollars. But in local-currency terms, the index gained just 1.7%. This means that share prices were somewhat flat in developed markets. As a result of the better price performance of emerging markets, the gap in price multiples with developed markets has narrowed a bit. Most of the major foreign currencies continued to strengthen against the U.S. dollar. The euro rose 3.7% versus the dollar, with the British pound increasing slightly more. After losing ground in recent years, the euro has now gained 11.7% year to date versus the dollar. Though we continue to like the compelling valuations offered by markets outside the US, we find it unlikely that the dollar will continue the decline it has had this year creating a tailwind on the returns to US investors.

Bonds

Bonds performed well during the third quarter of 2017 as the brief bout of volatility kept interest rates low, whereas ongoing healthy corporate fundamentals supported corporate credit spreads. Corporate credit markets have been buoyed by a combination of generally improving credit metrics, fewer debt-funded M&A or shareholder enhancement programs, and the market's expectation that possible revisions to tax and regulatory policies expected to be enacted by the Trump administration will reinvigorate economic growth and boost earnings. Additionally, the fixed-income market benefited from

a flattening yield curve in which interest rates across the medium and longer end of the yield curve declined, thus bolstering long-term fixed-income indexes.

Summary

We will continue to rebalance portfolios as markets rise. Often this means using profits to purchase underperforming assets (usually bonds.) Most fund managers we've met are optimistic about the next 6 months to a year in the equity markets. Few see anything more than a normal correction which would normally happen-none have indicated a recession is imminent in the near term. In the event of a correction, we don't do anything because it is a temporary fluctuation. Rebalancing adds the discipline of selling high and buying low. This action combined with holding cash for those taking distributions has proven to be the most effective strategy for our clients.