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Happy New Year!

2016 was a little bit better than we thought it would be, but not by much. As we stated this time last year, we were looking for 6 – 10% in the S&P 500. And after the "mini-crash" in January, many thought we were too optimistic. But as the year unfolded, and earning reports come out, the market reverted to its mean. The 4th quarter "Trump Bump", was unexpected – but very welcome.

But it did push us ahead of our earning schedule and may be at the top of our current market predictions. We still think 2017 will be a fair-to-good year-up 8 – 10%. Reduced tax rates, lower government regulation, and an optimistic business environment will help propel the Dow to the 20,600 level. The Fed will keep it from being a great year. Two interest rate rises are a given, and we wouldn't be surprised to see three. And we may start to see something we haven't seen in a while – inflation. Mostly from the employee point. 4.5% unemployment will do that. Plus, trying to anticipate negative surprises is always challenging, but something WILL happen. We will probably have two to three 5% corrections, maybe even a 10% one. It's never a smooth ride. As the saying goes, "A bull market always climbs a wall of uncertainty." We could see a trade war, terrorist action, foreign market surprises (Greece, Italy, Russia, etc.). And of course, Bonds will be lucky to break-even for 2017.

But, all in all, we think most of the surprises will be positive ones for 2017. We shall see.

If you would like to discuss the market and/or your account(s), please call me at 713.428.2050, x2 or via email to josborn@houcap.com.

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