

# INVESTMENT INSIGHT

# 2017

FIRST QUARTER



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In last quarter's *Investment Insight*, we stated that we seemed to be witnessing positive market "certainty" following the election of Mr. Trump and the likelihood that he would successfully pass a legislative agenda that would be good for the economy and markets. However, we also said,

***"Life/politics are rarely as easy as the markets are depicting them right now, and Mr. Trump hasn't even taken office yet. We suspect that accomplishing the policies listed above will be much more difficult and messy than currently anticipated. The possibility exists that some of them may not get accomplished, at least in the simple form offered in pre-election and pre-inauguration speeches. There will be bumps along the way, which means that uncertainty will return to the markets and volatility will accompany that uncertainty."***

Here we are at the end of March, and the President and the Republican Congress were not able to reform the Affordable Care Act (aka Obamacare). Markets declined a bit after that vote was canceled, which signals that volatility may indeed return to the markets.

We continue to see signs for economic optimism, in spite of the political uncertainty coming from

Washington. We recently saw St. Louis Federal Reserve President James Bullard speak to the Economic Club of Memphis. Mr. Bullard is a member of the Federal Reserve Open Market Committee (the Fed), the body responsible for setting monetary policy (raising/lowering interest rates). Mr. Bullard echoed much of what we have heard from other sources lately, stating that he believed the "slow growth" story for the economy should continue for the foreseeable future. His projection is for the economy to continue growing at roughly a two-percent rate that is consistent with the past several years. While acknowledging that President Trump's fiscal policies (taxes, infrastructure, etc.) could add to that growth rate, Mr. Bullard and the rest of the Fed are taking a "wait and see" approach to what might or might not happen in that arena. Notably, Mr. Bullard did *not* indicate that the economy would be in trouble should fiscal reforms fail to be enacted. He also cited improving global growth as a positive for the U.S. economy and markets.

In spite of the political uncertainty here at home and around the world, the U.S. economy is on sound footing with low and stable interest rates (rising slowly), stable inflation, and more jobs with gradually rising wages. Economies elsewhere around

the world are also improving. People here and abroad are therefore more confident consumers of goods and services which all feeds back positively to the economy and markets. To be sure, there will be plenty of political headlines and possibly an increase in volatility in the markets as we move into the coming months. Having just read *Hamilton*, I can cite numerous examples from history—politics has always been tough, and markets have always involved volatility. Progress in either arena has always involved hard work, patience and a sound plan to move forward. With that said, we would encourage you to contact your Relationship Manager at Legacy to review your financial plan and risk tolerance, make adjustments if appropriate, and then relax knowing you have a solid foundation for moving toward your goals.

This First Quarter  
*Investment Insight*  
has been written by Legacy's  
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