KEEP SAFE INVESTMENTS

Welcome to the KEEP Safe Investments Quarterly Newsletter

4th Quarter 2016

Happy New Year

Who can believe it is already 2017? While many of us are happy to close the book on 2016 and look forward to what 2017 might bring, we thought it would be nice to have a final peek at the volatile year that was 2016.

The stock market got off to its worst two-week start ever. Fueled by concerns over China's slowing economy and its depreciating currency, Wall Street began 2016 in a bona fide death spiral; major indices took about a 10 percent haircut in the first two weeks of trading, setting a record.

The plunge of oil and its ensuing rally. So not only did the stock market plunge, so did oil prices. Both ultimately recovered from the early stumble, but that wasn't an obvious outcome at the time. "The worldwide oversupply of oil resulted in significant price swings from approximately $100 per barrel in the third quarter of 2014 to below $30 in early 2016," according to Dean Price, a partner at Opportune LLP. "The rebound above $50 per barrel can be attributed to supply rebalancing and the recent OPEC announcement to reduce output in 2017."

Brexit. In June, a major financial event took place. The UK voted to leave the European Union in a shocking referendum, causing huge confusion about the status of the UK with its trading partners as well as an enormous devaluation of the British pound and Britain's financial institutions. The US markets took a sympathy loss for a few days, however managed to regain their losses.

A soft IPO market. 2016 was the worst year for IPOs since 2003, with money raised through new issues down about 40 percent. There was too much volatility coupled with an exuberant market that drove valuations exceedingly high. Too much uncertainty, as a rule, is never good for stocks. Especially not high-risk stocks, such as newly public companies.

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The Trump bump. The populist trend of 2016 continued with Donald Trump's surprise election on Nov. 8, an event that roiled markets in the minutes that followed, but ultimately resulted in a sustained holiday rally. Major indices added between 6 and 12 percent through the end of the year as investors bid up stocks in anticipation of deregulation, lower taxes, inflation and infrastructure spending.

Rising rates. The Federal Reserve unanimously decided to raise interest rates by 25 basis points in its December meeting, citing higher home prices, low unemployment and improving confidence in the economy as it projected three additional rate hikes in 2017.

Dow 20,000. As markets hit record highs in the closing weeks of the year, the Dow began to flirt with the 20,000 mark for the first time. While Dow 20,000 is a fine round number with a lot of zeros, it's primarily a psychological milestone with little meaning for investors.

So what happens to the markets in 2017? Our outlook for stocks is positive, but which sectors of the market do better or worse depends on what and how the policies the President-elect Donald Trump implements.

The economy looks set to speed up next year, to 2.3 percent growth versus 1.5 percent this year, according to estimates from PNC Financial Services Group. Faster growth is very important, because it should lead to better company earnings.

Some analysts feel equity markets are transitioning from an interest rate-driven to an earnings-driven bull market. The stock rally following the financial crisis has largely been driven by the Federal Reserve's historically low interest rate policy.

Low interest rates made stocks, especially those paying dividends, attractive relative to bonds. Next year's earnings are far more important to investors than are this year's. Why? It's because market participants look forward into the future, typically about nine to 12 months. We could see the market continue to rally, but we do not expect all sectors of the market to perform equally. There will be winners and losers.

KSI | FUN FACTS

There are 13 minerals that are essential for human life, and all of them can be found in alcohol. (reddit.com)

Top 5 New Years Resolutions in 2017

- Lose weight/Eat Healthy: 21.4%
- Life/Self Improvement: 12.3%
- Better Financial Decisions: 8.5%
- Quit Smoking: 7.1%
- Do More Exciting Things: 6.3%

(statistics.com)

How Americans Celebrate New Years

- 48% Celebrated at home
- 20% Celebrated at a friends home
- 9% Celebrated at a bar, restaurant, or organized event.
- 22% Didn't celebrate

(verdenews.com)

The New Years Ball drop in Times Square debuted in 1907 (moneyqanda.com)

Following the 2014 ball drop, New York City Department of Sanitation estimated that by 8:00 a.m., it had cleared over 50 tons of refuse from Times Square, using 190 workers. (wikipedia)

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Health care is not all sick. The health care industry shows this dichotomy in spades. With both houses of Congress Trump's side, the implication is that the insurance exchanges and hospitals will have a step down in profitability. But on the other hand, the pharmaceutical industry may benefit. It had been dogged by concerns of increased regulation over pricing of medications. That likely won't be so much of a concern now, given the Trump administration's pro-business stance.

Military spending, energy. Defense spending should receive a boost. It seems clear that Trump wants to defeat the Islamic State, and that doing so will cost money. Expect military-related companies to do well. The traditional fossil fuel energy is clearly favored by the incoming Trump administration. However, that could be a double-edged matter for the industry. On the one hand, a pro-fossil fuel administration could mean more drilling by major oil companies. On the other hand, more drilling would also mean more supply on a global level. Prices for crude have dropped from more than $100 a barrel in mid-2014 to around $50. More supply could push them down further.

Infrastructure. Anyone who has driven along American highways, over bridges or in tunnels knows that the country's infrastructure is in desperate need of repair. The Trump administration seems committed to spending heavily in this area.

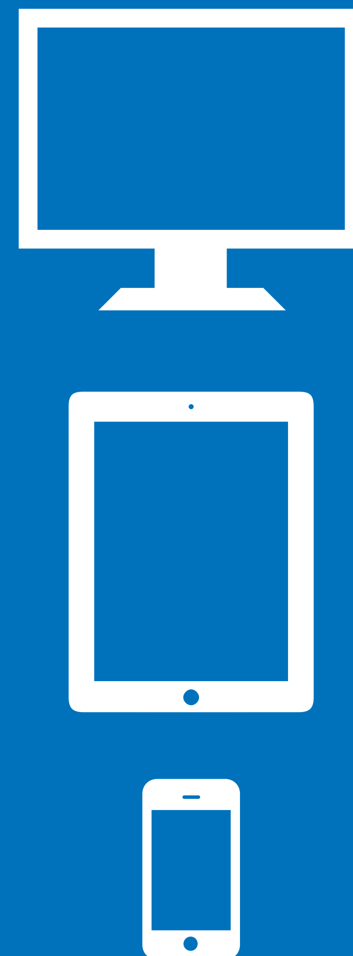
We Have A New Website!

We launched a brand new website, you can view it at www.keepsafeinvestments.com.

Our new website features updated information about the team at KEEP Safe Investments and updated financial information and products. Our site provides you helpful financial tools in Our Services section. Users can read this newsletter online or download prior newsletters from our archive.

A new feature has been built into the site enabling our clients to contact us to schedule an account review. We offer several review options to make the review process as convenient as possible for you.

Take time to visit us online and drop us a line... tell us what you think!



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About KEEP Safe Investments

KEEP Safe Investments is a Registered Investment Advisor. We are dedicated to enhancing the financial lives and enriching retirement funds of our clients. We are a single fee, non-commission based firm.

As a privately held asset and financial advisory firm, we endeavor to offer independent, unbiased financial advice focusing on each individual client's retirement goals.

Kristi Berge

Founder and CEO of KEEP Safe Investments, LLC. Kristi has worked in the financial industry for 15 years at Morgan Stanley and the Guinness Family Office (Iveagh Ltd).

A graduate of Columbia University with degrees in Economics and Mathematics, Kristi is fluent in French. Upon graduation, she joined Morgan Stanley where she worked on the bond sales and trading desk in Paris, London and New York. Kristi returned to London and joined Iveagh Ltd to work on the Investment team covering a range of products: equities, fixed income, currencies, commodities, alternative investments and property.

Kristi holds the Series 63 and Series 65 as well as the SFA and Life Insurance license.

Carin Johnson

Carin serves as Chief Compliance Officer for KEEP Safe Investments. Carin is charged with being an independent and objective resource that oversees implementation of KEEP Safe Investment's compliance and regulatory efforts.

Carin's experience in the financial industry spans more than 20 years. Previously serving as a Financial Center Manger with Wells Fargo Bank, N.A., she was responsible for the overall operation and success of the branch. As a managing Assistant Vice President, she coached her team in service, sales and financial guidance. Carin was a prominent face in the Wells Fargo community, cultivating relationships with many of the area's businesses and leading her region in performance.

Carin attended Northampton Community College and East Stroudsburg University.

Sabina Reeder

Sabina works as Office Manager at KEEP Safe Investments.

She spent 14 years working in Education and made the transition to finance in 2016. Sabina is originally from Poland and earned her degree from Catholic University of Lublin. She recently obtained her Life Insurance license. She enjoys the outdoors, reading and dancing.

Contact Us

As always, please do not hesitate to contact us if you have any questions or concerns.

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