KEEP SAFE INVESTMENTS

Welcome to the KEEP Safe Investments Quarterly Newsletter

4th Quarter 2017

2017 - A Year of Surpassed Expectations

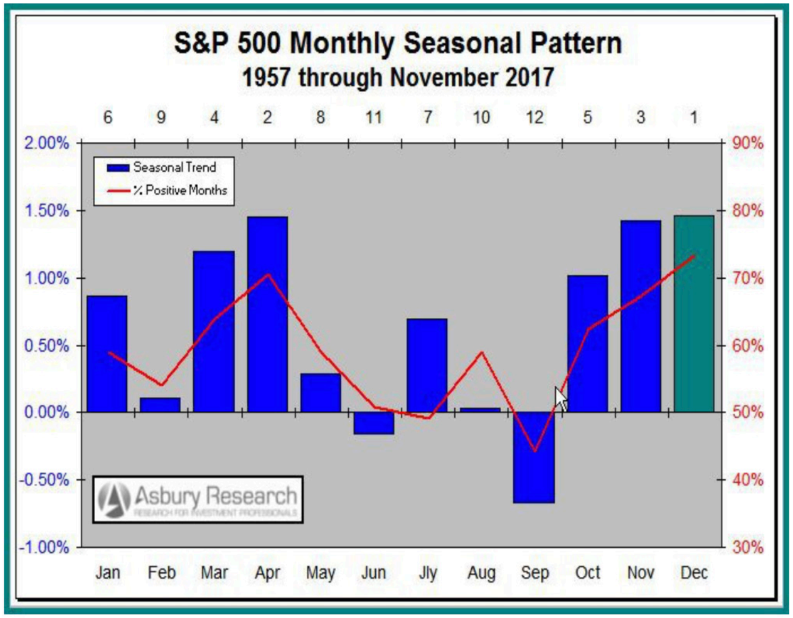
The stock market spent most of 2017 exceeding investors' expectations. Many managers and analysts were anticipating a pull back and thought equity markets would end flat to slightly up on the year. Instead, all three major equity indices surpassed expectations to have their best year since 2013. The Dow Jones rose 25.0%, the S&P 500 was up 18.4% and the Nasdaq was the best performer gaining 27.1% on the year. Expectations for lower taxes have also helped fuel the rally in U.S. stocks, sending the Dow Jones Industrial Average to 71 record closes, the most in a calendar year, and its best year since 2013.

December is the seasonally strongest month of the year for the benchmark index, based on data going back to 1957.

Year	Close
2013	26.5%
2017	25.1%
2003	25.3%
1999	25.2%
2009	18.8%
2006	16.3%
1998	16.1%
2016	13.4%
2010	11.0%
2014	7.5%

Source: Wall Street Journal

Historically speaking, the S&P rises an average of 1.47% over the course of the month, and it closes higher 73% of the time.



Source: Wall Street Journal

Market Support

Some analysts were surprised by a confluence of market-supporting trends. Some could even call it the perfect scenarios. Corporate earnings and revenues grew at a fast clip. The economies of all 45 countries tracked by the Organization for Economic Cooperation and Development are on pace to expand, and volatility around the globe has been subdued, even in the face of the geopolitical turmoil in Washington and around the world. Inflation readings around the globe have been unexpectedly benign which have kept central bank policies ultra loose. JJ Kinahan, the chief market strategist at TD Ameritrade sums it nicely, "There was no knocking the market off its perch. A couple times it wobbled, but we never saw a wild rush of sales in the market. Every dip was marked with big buyers." In 2017, the Dow Jones Industrial Average soared past several 1,000-point milestones:

Date	Close
25-Jan-17	20,068.51
1-Mar-17	21,115.55
3-Aug-17	22,026.10
18-Oct-17	23,157.60
30-Nov-17	24,272.35

Source: Wall Street Journal

Underpinning the index's 20% climb in 2017 has been corporate earnings growth, which is on pace to post its largest increase since 2011, as measured by earnings per share. At the end of the first quarter, analysts polled by FactSet were expecting companies in the S&P 500 to post 9.1% earnings growth in that period. Instead, companies grew their earnings by 14%. That expansion has continued, albeit at a slower pace. In the second quarter, earnings for companies in the S&P 500 rose 10% from the year prior, and in the third quarter that growth was 6.4%. Some of the outsize gains can also be attributed to the synchronous economic expansion around the globe. The U.S. recovered faster than other countries from the financial crisis, but that changed in 2017 as others caught up. The result is the vast majority of global stock markets are trading near records or multi-year highs, from Japan's Nikkei Stock Average to the U.K.'s FTSE 100. The MSCI All Country World Index is also near records.

Tax Reform

Recent gains in the U.S. have also been driven by the recently passed tax-reform legislation, where a cut in corporate tax rates is seen as providing an immediate boost to corporate profits, as well as by strength in the fast-growing technology sector.

Already the uninterrupted bull market has set records with the fewest monthly declines in the history of the world index, which goes back to 1988. Before this year, the record stood at three monthly declines in a year, which has happened eight times. (On the other end of the ledger, the record for most monthly declines is eight out of 12, which last occurred in 2015.).

What Could 2018 Bring?

The steep gains of 2017 have some analysts worried that the rally could subside in 2018, particularly if volatility, which hit historic lows this year, ticks up as many predict. Stocks are trading at above-average multiples of their past 12 months of earnings, and government bonds have also been sending cautionary signals about the U.S. economy's prospects. This could end up startling indexes in 2018.

Though analysts have debated its significance, a shrinking gap between short and long-term Treasury yields, known on Wall Street as a flattening yield curve, has often been a warning sign for investors. According to data from the St. Louis Fed, five of the past six times the two-year yield surpassed the 10-year yield, known as an inverted yield curve, the economy subsequently entered a recession. With few other signs of recession, however, many investors say there are reasons to doubt the yield curve's signals, as central banks in Europe and Japan have eased their monetary policies driving investors into US government bonds.

Many investors and analysts expect the curve to continue its flattening in 2018, given signs that the Federal Reserve will keep raising interest rates even if inflation remains stuck below its 2% annual target. That, plus a potential deceleration in economic growth, could set 2018 up to be a tougher year.

A bright spot that could be pointed to is corporate tax cuts, which could boost earnings growth and stock prices. Yet, some analysts say they are worried the potential benefits from the tax bill are already priced into company shares, limiting upside in 2018. "We've gotten used to things being very good," said Brad McMillan, chief investment officer for Commonwealth Financial Network, who added that he doesn't expect either big declines or big gains in 2018. "We don't need the tailwinds to turn into headwinds, we just need a couple to go away to find ourselves in a very different market environment."

Heading into 2018, some analysts and traders said they would be focusing on projections from corporate executives about the impact of the tax overhaul on their businesses. Tax reform has been a major focus for markets in 2017 and will continue in the new year. If corporations do in fact see tax savings, how are they going to spend it? Will they hire new employees, add new factories, buy other companies, buy back stock or sit on cash? Again, the corporate tax reform will be a major theme in 2018.

Going For The Gold

While the current expansion is the second-longest bull market in history, it has to last a few more years to take the gold. The current market, as measured from the financial crisis bottom in March 2009, has lasted for nearly 3,200 days. The longest in history - between December 1987 and March 2000 - lasted for 4,494 days. Here's to hoping we take the gold medal!

KSI Fun Facts:

- As our nation rang in the New Year, the U.S. Census Bureau projected the U.S. population would reach 326,971,407 on Jan. 1, 2018.
  Source: U.S. Census Bureau, 2018

- Americans spent just over 32 hours a week listening to music in 2017, up 5.5 hours over last year's 26.6 hours a week.
  Source: Nielsen Company, 2017

- Average percentage of total household expenditures spent on food in 2016 was 12.6%. 7.1% was spent on food at home and 5.5% on dining out.
  Source: Bureau of Labor and Statistics, 2017

- I'll drink to that. From 2006 to 2016 breweries accounted for more than half of the employment growth within the beverage manufacturing industry.
  Source: Bureau of Labor and Statistics, 2017

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.

Phone: 215.539.8509
Email: kristi@keepsafeinvestments.com