KEEP SAFE INVESTMENTS

Welcome to the KEEP Safe Investments Quarterly Newsletter

2nd Quarter 2016

Expecting The Unexpected

Did anything even happen in the second quarter apart from the Brexit vote?! During the last month of the quarter the market was increasingly impatient trying to decide if the Brits would decide to exit the European Union. It wasn't just the political pundits who got the "Brexit" vote wrong, it was also the central bankers and the financial markets who not only thought the UK would decide to stay in the EU, they also bet incorrectly on how the vote would affect financial markets.

Something that has been a constant over the past two years is: expect the unexpected. Financial markets have not been behaving in conventional ways and even the most contrary of contrarians are finding it hard to believe. Immediately after the vote the markets thought the European markets would tank and share prices of UK companies would follow suit. They also thought no one would want to buy UK government bonds. Well, that's exactly what didn't happen.

Yes, did we see the UK equity market plummet in the wake of the vote, sure, but like their American counterparts, within two days they were almost back to pre-Brexit vote levels. Simultaneously, foreigners rushed in to buy UK government bonds, contrary to what the UK Treasury said a "leave" vote would result in. In addition, the Bank of England (the UK's equivalent of the US Federal Reserve), bungled up, too. A week before the vote, the Bank said that a "leave" vote wouldn't necessarily translate into a rate cut. But after the vote, the Bank of England said that they would need to cut interest rates over the summer to keep the economy growing.

The Big Question: Why?

So baffling and unfamiliar is the current situation that even with the benefit of hindsight, it's difficult to figure out why rates went down when it would make more sense to assume that they would go up. Perhaps the simple answer is simply because several conditions in the current financial world are so unusual – the crazy level of debt, record-low and in some countries (Europe and Japan) even negative interest rates, and the broken connection between monetary stimulus (otherwise known as Quantitative Easing) and an expanding economy – that a lot of conventional thinking no longer applies. So maybe the motto in the new world is: up may mean down and down may be up.

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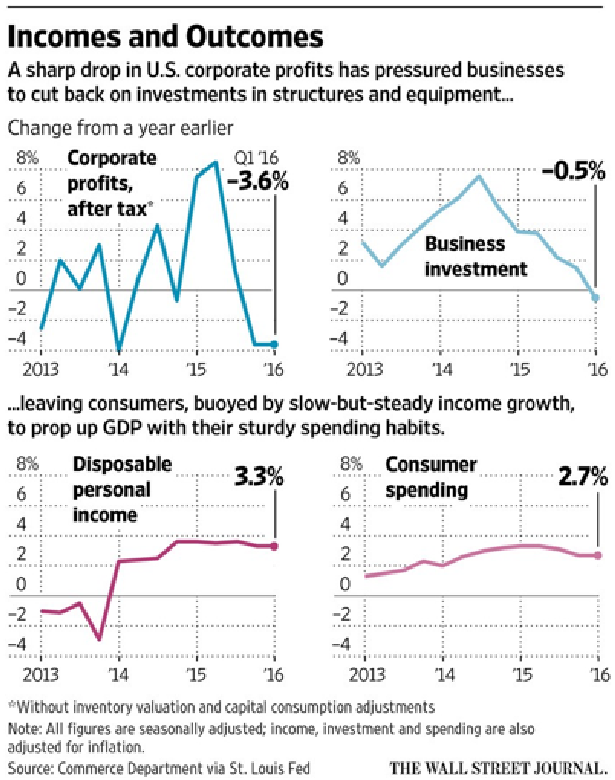
2Q Markets

With all the volatility we saw the markets end the quarter mixed: The Dow Jones posted a 1.4% rise, S&P 500 1.9%, and the Nasdaq posting a loss of 0.6%. Crude oil was a winner rising nearly 17% and touching the $50/barrel mark. Keeping oil above $50 will help continue to drive the bull market, however with the uncertainty in the EU and around the globe, it won't take a major event to knock it down quickly. Corporate earnings also reported assorted results for the first quarter. The sharp drop in US corporate profits has forced businesses to reduce investments.

Looking Ahead

Just as the winner of the 2016 presidential race will probably be the candidate disliked least by voters (most likely we'll be choosing among candidates with the highest unfavorable ratings ever), the US stock market may continue its bull run into the summer because our nation offers the least worst opportunities in the world.

Sure, the bull market is getting tired entering its 8th year, the economy is not as robust as it used to be, corporate earnings are on the decline, and the Fed is no longer reassuring. But compared to the possible breakup of the European Union, a slowdown in China, and political unrest in South America, the United States is doing fine. The global economic concern and credit markets will keep interest rates low regardless. That being said, the US equity markets look relatively attractive. But since that endorsement is half-hearted, do not expect any inspiring equity performance. If the market only continues with modest gains, some plateaus or even a small dip, most equity investors will be satisfied.



KSI | FUN FACTS

Every year , the average American consumes enough soda to fill a bathtub.
(PBS Newshour)

It takes an average of 66 days for a habit to become automatic.
(University College London study)

Population estimates released in April indicated Millennials have now overtaken Baby Boomers as the nation's largest living generation.
(Census Bureau)

More than 40% of adults in the U.S. no longer have telephone landlines.
(Pew Research Center 2015)

Average amount of H2O used in the average 8 minute shower is 17.6 gallons.
(Environmental Protection Agency)

A US $1 bill or a $10 bill lasts for an average of 18 months. Five dollar bills last around 15 months, and twenties kick around for two years. The larger denomination bills can last up to 8 years!
(www.pbs.org)

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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.

Amanda Fink

Investment Advisor Representative for KEEP Safe Investments, LLC. She graduated from DeSales University with a BA in Law and minor in Business. She has worked in the finance industry for over two years dealing with client investment services as well as assisting portfolio managers regarding investment selections.

Amanda holds a Series 65 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 and holds a Series 65 license and Life Insurance license.

Contact Us

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

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