



Kalorama Wealth Strategies, LLC

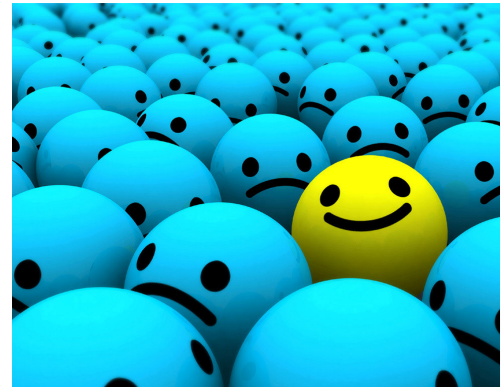
2136 12th Place, N.W.
Washington, D.C. 20009-7507

Phone: 202.550.7262
Fax: 480.247.9620

www.kaloramawealth.com

First-Quarter 2017 Market Review ~ Optimism Trumps Worry

April 2017 - With healthcare "reform" on life support, stocks continued to be fueled by the optimism for the potential of economic growth and increased profits from infrastructure spending, tax reform, and deregulation. The "wall of worry" crumbled in the first quarter of 2017, with all major stock sectors posting mostly mid-single-digit gains. International equities outperformed domestic, with Emerging Markets at the top, climbing 11.5%.



Bond sectors also lodged across-the-board advances. The best performers were Emerging Markets, adding 3.3%, and U.S. Corporate High Yield, up 2.7%.

In March, the Federal Reserve raised its target interest rate by a quarter percent to a range of 0.75% to 1.0% from a range of 0.50% to 0.75%. A record 77 continuous months of positive job growth and an unemployment rate of 4.7%, along with inflation nearing the Fed's long-run target of 2.0%, led to the hike. It was only the third increase since the 2008-09 financial crises when interest rates were cut to near zero. The central bank forecasts two more raises in 2017 and three in 2018.

The Fed maintained its 2.1% growth forecast for 2017 and slightly raised the projection to 2.1% from 2.0% for 2018. Unemployment is expected to fall to 4.5% by year end (which it did in March) and stay at that level through 2019. Its inflation estimate remained unchanged at 1.9% for 2017 and 2.0% for 2018.

Despite the Fed's action, at quarter end the yields on five and 10-year Treasury notes were nearly unchanged since the start of the year, lower by one and five basis points to 1.93% and 2.39%, respectively.

Below are rates of return for selected market indices for the first quarter of 2017, full-year 2016, and the three, five, and 10-year compound annual returns as of December 31, 2016.

	<u>1Q:2017</u>	<u>2016</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
<u>Equity (Stock) Indices</u>					
Domestic					
Russell 1000 - Large Cap	6.03%	12.05%	8.59%	14.69%	7.08%
Russell Midcap	5.15%	13.80%	7.92%	14.72%	7.86%
Russell 2000 - Small Cap	2.47%	21.31%	6.74%	14.46%	7.07%
Real Estate (FTSE NAREIT Equity REITs)	1.16%	8.52%	13.38%	12.01%	5.08%
Commodity (Dow Jones Global Equity 100)	2.61%	28.47%	-4.61%	-1.54%	0.68%
International					
MSCI EAFE Developed Large Cap	7.39%	1.51%	-1.15%	7.02%	1.22%
MSCI EAFE Developed Small Cap	8.07%	2.55%	2.45%	10.92%	3.30%
MSCI Emerging Markets	11.49%	11.60%	-2.19%	1.64%	2.17%
Global - MSCI All Country IMI	6.92%	8.96%	3.79%	10.20%	4.38%



	<u>1Q:2017</u>	<u>2016</u>	<u>3-Year</u>	<u>5-Year</u>	<u>10-Year</u>
<u>Fixed-Income (Bond) Indices</u>					
Bloomberg Barclays					
Global Aggregate - Unhedged	1.76%	2.09%	-1.01%	1.34%	4.00%
Global Aggregate - Hedged	0.44%	3.95%	3.97%	NA	NA
U.S. Aggregate	0.82%	2.65%	1.45%	3.25%	4.52%
U.S. Treasury TIPS	1.26%	4.68%	0.03%	3.99%	4.66%
U.S. Corporate High Yield	2.70%	17.13%	0.45%	4.27%	6.56%
Municipal	1.58%	0.25%	4.16%	5.96%	5.02%
International Emerging Markets	3.28%	9.88%	2.40%	6.26%	7.30%

Source: ftserussell.com, reit.com, us.spindices.com, msci.com, bloombergindices.com

Please feel free to forward this newsletter to friends and colleagues who can benefit from information about investing and financial planning. As always, if I can be of any assistance to you or anyone you know, please do not hesitate to contact me. It would be my privilege to assist with your investment and financial planning needs. For more information, please see our web site at www.kaloramawealth.com.



Fee-Only Investment Advisory And Financial Planning

M. David Goldstein, CFA, CFP®
 2136 12th Place, N.W., Washington, D.C. 20009
 Phone: (202) 550-7262 Fax: (480) 247-5620
david@kaloramawealth.com www.kaloramawealth.com