January 20, 2017

Wealth COACH Financial Services Inc.

Dear Investor,

Wow, what a wild run in the markets since election night. Is it real? Will it continue?

For many people, 2016 brought a dramatic shift in their outlook for their future. Populist uprisings across the globe are rejecting bureaucratic elites and their centrally controlled, central bank driven polices that have obscenely enriched a few while the majority of the populations descend into income stagnation. And all the while, stock markets across the globe roll merrily along!

Amazingly, in both the UK (where the 'Brexit' saw the UK vote to untangle itself from the European bureacrats in Brussells) and the US (where Donald Trump won the presidential election), the outlook shifts are starkly divided across two groups: the supporting groups seem wildly optimistic; the opposing group seems angry, depressed and outright fearful.

Both groups heavily distrust news agencies, intelligence agencies, and entire industries which have leaned partisan one way or the other. In fact, the news and intelligence agencies have seen their credibility destroyed, dropping through the floor almost to the level of disapproval of Congress.

So, what does all of this mean for the markets? … probably not much!

Last quarter we presented two issues that would ultimately determine the fate of the markets:

1. Central Banks buying equities outright (with newly minted money)
2. The continued ability for politicians and their corporate owners to manipulate the public

Neither of those issues have changed. For the new regimes to succeed, they will need both.

The enthusiasm for Trump's policies is very strong in middle America and in the small business environment. Regarding the latter, we can express first hand that small businesses seem very optimistic that Trump's reign will result in less regulatory overreach, and a lightening up in repressive policies that detract from the ability to focus on core business activities.

There is little dispute that American highways, airports and whole cities would benefit from renovation … a process that would surely boost economic activity. But, the question remains: 'how will it be paid for'? During the last eight years, the economy has slithered along, slowed by the repressive policies small business are hoping dissapate, and pulled forward only by relentless money printing and shenanigans by the Fed and Wall Street.

The 'Trump Rally' that has seen stocks surge since election night, has been led by noneother than Wall Street. Four of the thirty stocks in the Dow Jones Industrial Average have accounted for nearly 2/3rd of the surge: Goldman Sachs, Citigroup, JP Morgan and Caterpillar. Trumps administration is chock full of Goldman Sachs pirates, and leans heavily on big Wall Street players. The Swamp has ***hardly*** been drained.

Perhaps Trump is about to cut a deal with American companies to bring back the Trillions of cash they have sitting overseas and put it to work (re-patriate it). If so, he may have found a funding source for his plans. If not, only #s 1 and 2 above will get the job done. Our investment outlook will ultimately depend on which path he chooses: re-patriation will give us a positive outlook, and more central bank manipulations will give us continued caution. We will invest accordingly!

Best Regards,

Mike Sullivan, President, Certified Planning Professional ®

Market Update & Backdrop

November 8th shifted the country in a dramatically different direction. Contrary to predictions by anti-Trump investors, stock markets surged into year-end and continued the climb as we approach inauguration. While the inauguration itself may influence near-term market direction (depending on the level of disruption), it will be the economic policy steps taken soon after that will drive things.

The rally into year-end suggested that either Wall Street likes what it sees for the future business environment and legitimately expects Trump's policies to succeed, or they are driving a powerful head-fake before any protectionist policies backfire on him, or other problems surface. There are plenty of legitimate problems that did not disappear in November. Time will tell.

Below find how the major indices fared in Q4 and for the calendar year. Q4 saw quite a reversal. The S&P 500 for example reversed a 9 consecutive day losing streak to jump 6.3% from election night, closing the quarter up 3.82%. In particular, note the ***massive*** surge in Transportation stocks, a category that has lagged for several years, effectively contradicting the narrative we have been receiving about how great the economy is. The transports suggest real economic strength ahead. Also note the beat-down in bonds as interest rates surged on expectations of future inflation:

INDEX	TYPE	Q4	2016 YTD
Standard & Poor's 500	US Based Large Stocks (500)	**3.8%**	**11.9%**
Dow Jones Industrials	US Based Large Stocks (30)	**8.6%**	**16.5%**
Nasdaq Composite	US Based Large Stocks	**1.3%**	**7.5%**
Standard & Poor's 400	US Based Mid-Cap Stocks (400)	**7.4%**	**20.7%**
Russell 2000	US Based Small-Cap Stocks (2000)	**8.8%**	**21.3%**
Dow Jones Transports	US Based Transportation Stocks	**12.5%**	**12.3%**
Dow Jones Utilities	US Based Utility Stocks	**8.8%**	**21.3%**
MSCI EAFE	International Large Cap	**-0.7%**	**1.5%**
Nikkei 225	Japanese Stocks	**0.1%**	**0.3%**
Hang Seng	Chinese Stocks	**-.03%**	**21.2%**
Barclay Aggregate Bond	Intermediate Bond	**-2.9%**	**2.6%**
3 Month Treasuries	Cash Equivalent	**0.1%**	**0.3%**

- Rates of return for the quarter ended 12/31/2016. Data from Morningstar, yahoo.com

As indicated in the cover letter, the major strength in Q4 sprung primarily from the financial sector, likely either a result from optimism that Trump economic policies would succeed, or enthusiasm that the Wall Street players would not be drained from the swamp. The equipment sector which would benefit from rebuilding efforts, the defense sector which would benefit from military spending, and those industries experiencing a reversal of policy such as the coal industry also led the charge.

As earnings season begins to unfold, a picture will emerge as to whether the momentum is legitimate or unrealistic. The fact remains that revenues have been relatively flat overall these past few years and earnings have declined seven quarters in a row as this one unfolds.

Ironically, the surge in the U.S. dollar will have a negative impact on earnings of many of the S&P 500 companies who derive roughly half of their revenues from overseas. Further, the celebration of the almost daily announcements about American companies returning jobs to the U.S., may be soon offset by the recognition that those jobs will cost more here, pressuring earnings downward.

The globalist fiesta that has benefited so very few over the past decade or two has been all about boosting earnings no matter what the costs are to the masses. If you own stocks or run an S&P 500 company, it has been fantastic, but if you lost your job while they cooked up stock prices, it has been anything but fruitful.

Importantly, sticking with our theme of central bank manipulation, the surge in the dollar is not likely to be tolerated for long by the five major manipulative central banks: the Fed, the ECB, the Bank of Japan, Bank of England and the most recent entrant to the regime: the Bank of China. We expect there will be some type of reversal not too far down the road. Interestingly, Trump himself just stated January 17th that presently 'the dollar is too strong', after which it immediately sold off hard. Trump clearly sees the disadvantage to U.S. based companies that is looming.

Additionally, the surge in interest rates that is driving the strength in the dollar, is almost surely going to be limited. With the stunningly massive amounts of debt the U.S. has issued during this 'recovery', it is far from affordable to see rates move back to former levels. A formerly normal 4% rate on the Ten Year U.S. Treasury bond would make it burdensome to pay U.S. creditors. In fact, since July when Trump began to gain traction, the Ten Year has surged from 1.35% to 2.33% today, back a bit from its high which had almost doubled the July rate.

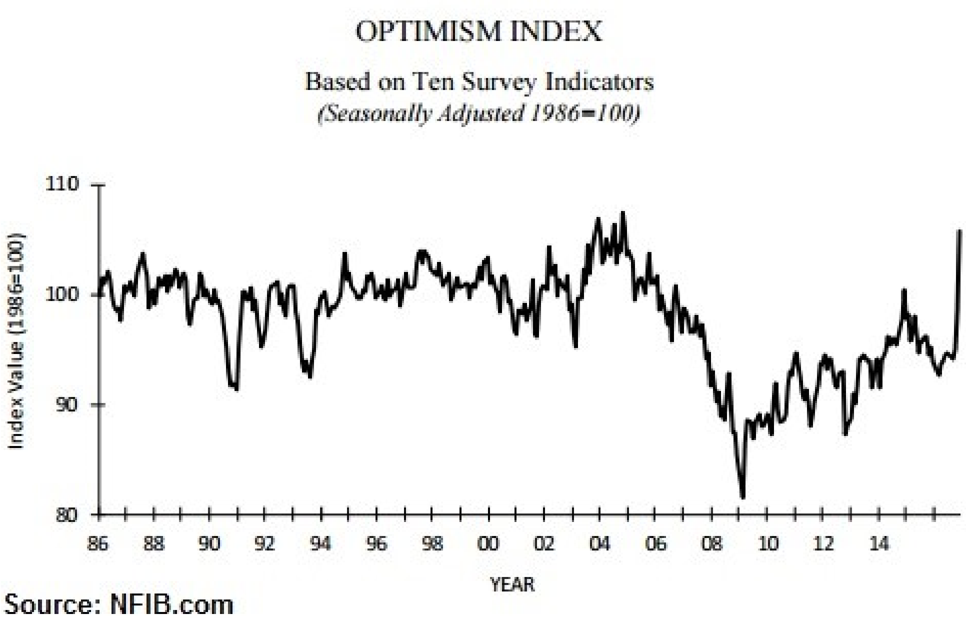
That may not sound like a lot, but that 1% hike bumps a monthly payment on a $200,000 30-year mortgage by 13%, from payments of $898/mo to $1,014/mo if the mortgage rate simply moves from the absurdly low 3.5% to 4.5%. The total interest paid by a borrower over the 30-year life would leap from $123,312, to $164,813, a whopping additional $41,500 in interest. That's great if you are the Wall Street bank, not so great if you are the home-owner. Any movement in rates in an upward direction will increase monthly payments, which puts pressure on home prices overall. We're sure you can see the conundrum! We're also sure you can see why the bank stocks are surging.

In any event, all of these macro dynamics are not yet present in the corporate performance world, but they will be at the end of Q1 2017. Here is a look around at where we are presently[i].

- Several major banks reported recently, and many of them beat both revenue and earnings expectations. As per the above illustrations, you can see why they did well.
- The National Federation of Independent Businesses (NFIB) Small Business Optimism Index has surged from a prior November reading of 98 to nearly 106 in December. With small businesses a primary beneficiary of a low regulation, low interest rate environment, it is easy to see why Small Company stocks have launched. Entrepreneurial optimism plus low interest rates are typically a formula for small business profit increases. Following this section, you will find a graph illustrating how small business owners feel about the future.
- Inflation expectations dropped back to 2.0% after spiking to 2.1% in November according to the Atlanta Fed. Additionally, the Producer Price Index jumped up 0.4%, a notable surge. The increase in inflation expectations, if they hold, suggests stocks, inflation protected bonds, metals and other commodities may offer opportunities in 2017 and beyond.
- Retail sales jumped a strong 0.6%, but under the hood (pun intended) it was largely attributed to surging auto-sales. The holiday categories grew only modestly.
- Consumer sentiment pulled back from its cycle highs, dropping to 98.1 from 98.2, and Business Inventories grew by a noteworthy 0.7%, reflecting many of the goods already produced are still in stock. Typically, inventory builds will result in lower future production as obviously not as many goods are needed to be produced until existing stock is sold.
- US Manufacturing surged in December coming in at the top of its range at 54.7 and the Purchaser's Manufacturing Index (PMI) confirmed it with a likewise strong showing at 51.4. Likewise, Industrial Production leapt 0.8%
- Job creation spiked in December, jumping to a 33 reading, last seen in January 2008
- Construction spending surged, jumping 4.1% in December.

- The usual Fed business reports get released in the second half of the month. At print, only the Philadelphia region's Business Outlook has reported, soaring to a 23.6 rating versus 16.0 expectations. Numerous Fed speakers this month show the usual split about whether there will be another rate hike soon, or whether it will have to wait. Collectively they espouse a 'wait and see' approach to see what Trump does and how it affects inflation and GDP.
- Auto loans and student loans both remain at record highs. These will inevitably become a problem although both problems may be reduced if a job boom can truly ensue. A material amount of the improvement in the Unemployment number was achieved by promoting college and funding it via student loans. That debt now too is massive and unsustainable. Once again government intervention in markets makes things simultaneously much more expensive, but less valuable. How does the government get away with such successful (not) activities? Simple: lie about the data. In the slew of last-minute data 'revisions' we find a recent revision to the state of student loans, formerly in excellent standing, but now revealing that at 1,000 colleges and trade schools (about a quarter of the total) at least ***half*** of the students had either defaulted or failed to pay even $1 towards their debt within seven years.[ii] We are not the least bit surprised. Time will tell whether or not, or when, this will matter.
- Earnings for the S&P 500 companies have again gotten off to a respectable start this reporting season (by again beating lowered estimates!), but overall it still looks at this point like they will ***drop eight quarters straight.***

But, hey, why worry about the past, right?! This market is utterly ignoring the past now and locked onto the hoopla about the future impact Trump's policies might have. Market participants are working to figure out whether we will enjoy a big economic boost in the quarters ahead. Much of the buying during this Trump rally was actually larger institutions putting their money to work … typically a sign the trend will continue upward. As indicated above, small businesses plan to do their part and their confidence is surging to levels not seen since 2005, several years before the Crash:



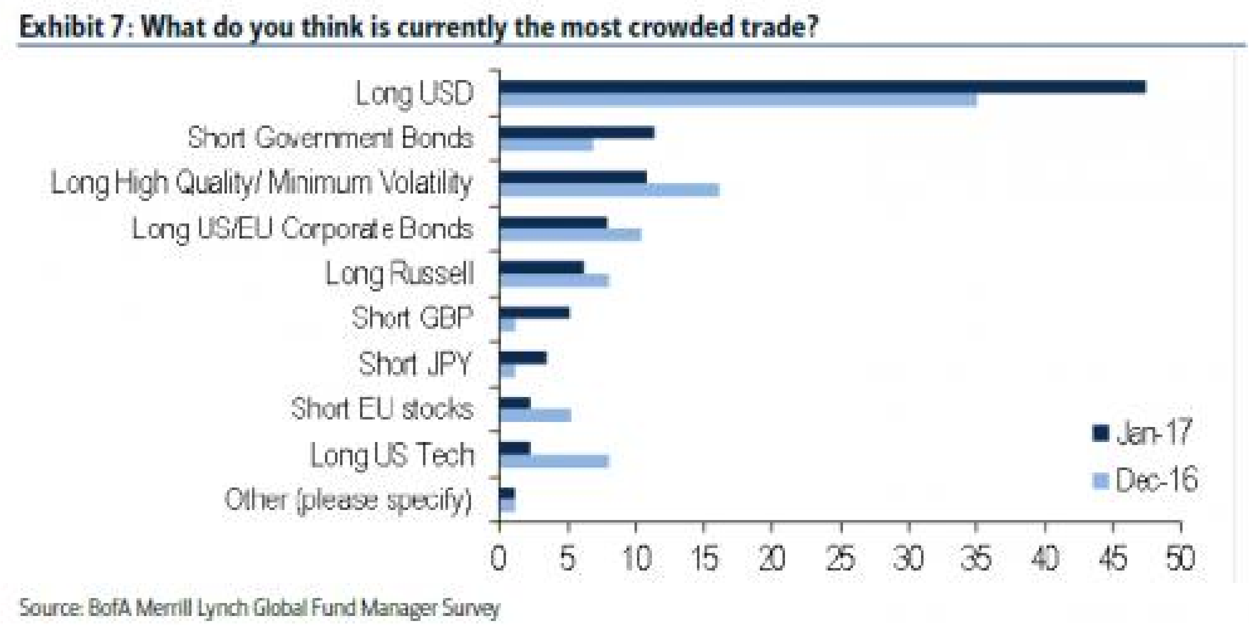
We cautioned last quarter that with Fed rate hikes in play, and an unwillingness to engage in more money printing, (convenient since they printed money for the past eight years, right?), Trump would not get the support from the central bank masters that Obama enjoyed. We continue to believe that will be the case. So small business owners beware … the growth activities still need to be funded!

Our focus will instead be on the repatriation of the oodles of overseas corporate cash as the means to fund any further market advance. With as much as $3 to $4 Trillion dollars pigeon-holed away overseas, depending on your source, there is plenty of fuel for growth. For perspective, consider 2013 when Bernanke's Fed cranked out $1 Trillion a month in printed money, fueling a 30% S&P 500 run.

We expect Trump to get little support from the money printers. He is simply going to have to find other (real) means to generate growth if he is to succeed. And based on the facts we have shared over the past few years, even near term success generating growth may have a limited shelf life as the piles of debt behind the scenes are indeed mighty. They are not likely to be naturally repaid.

<u>Technical Backdrop</u>

As stocks continue to hover near new all-time highs today, Trump and his team are actively crowing about that fact and happily latch onto the term 'the Trump Effect' at every chance. Be careful though Donald, some very high profile investors are warning that everyone is loaded on one side of the boat … heavily loaded with stocks and heavily loaded holding US dollars. Certainly the following chart from Bank of America Merrill Lynch illustrates that fact rather well:

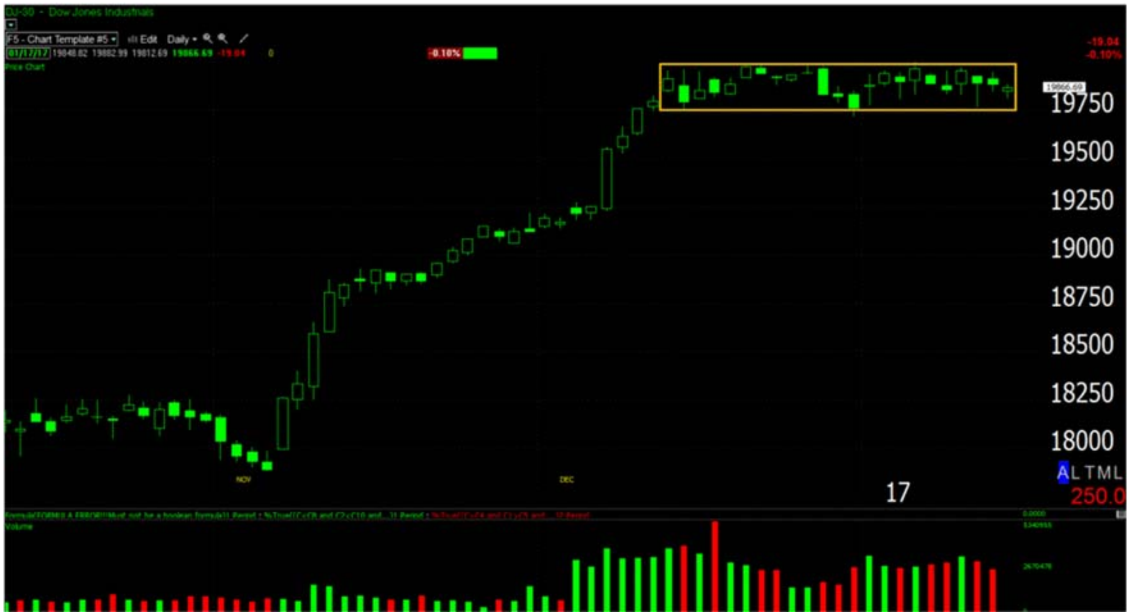


The dollar has been directly correlated with the stock market's advance since November: the economic policies designed to motivate small businesses to grow again increase both inflationary pressures and interest rate pressures, pulling the dollar along with them. That is clearly the case now. Everyone is piling into both dollars and stocks, and we know quite well what normally happens when the boat is overloaded on one side, don't we?!

Queue the Donald criticizing the 'too strong' dollar, then hold a private meeting with the manipulative central bank money printers, and you will have the perfect set-up for near-term currency and stock reversals!

In terms of correlation, the relationship of late has been: Dollar Up = Stocks Up = Gold Down. We would expect that to continue, at least to the point Wall Street can take out the 'Dow 20,000' level they have been yammering about for several weeks.

The chart that follows of the Dow Jones Industrial Average illustrates the beautiful six-week range we have been wallowing in … just begging to be taken out to the upside.



Not to be outdone, the S&P 500 has, as of January 19^{th}, spent 23 days without moving more than 1%. This is very unusual, not having been so docile since 2014 when it pulled off the feat for 25 straight days, before breaking out. We believe the odds are that Dow 20k is hit, Wall Street traders pull out their Dow 20,000 hats, after which the honeymoon may be over for a short time as the market then digests the Q4 earnings, identifies what Trump's next steps will be, and assesses whether or not he can get them accomplished in DC while a hostile opposition party drops landmines in front of him.

Is it little wonder Americans despise Washington? Though the parties have flipped sides in terms of who holds the Presidency and who controls Congress, the hostile and undermining environment holds firm. The swamp is far from drained at the moment. Both sides of the aisle' still need a major flushing if anything substantial is to be achieved.!

As we roll into 2017 we note Doug Casey's publication, 'International Man', which recently wrote a fascinating comparison of Herbert Hoover to Donald Trump. Both were wealthy and internationally successful business people with little or no political experience prior to taking office.

Interestingly, Hoover's entry to the office was immediately followed by an impressive, but final leg up in the stock market prior to the 1929 Crash[iii]. Hoover subsequently embarked on massive interventionist infrastructure programs, which succeeded short-term, but failed soon after as the Great Depression took its long toll. Hoover spent the rest of his life denouncing the interventionism while FDR and his team spent that time blaming Hoover for the mess, denouncing his policies, and justifying massive build ups in government and social welfare programs.

Could Trump be being set up for the Hoover #2 role? Quite possibly. We already know that global debt is unsustainable, and the elite powers running the show have rolled out negative interest rates, banned cash, and are drumming up more ways to control and oppress the already record-setting unequal public. ***That*** is the cause of the nationalistic populism criss-crossing the globe, sweeping those in charge out of power. What better way to simultaneously recover power and hang the blame on Deplorables than to pull them into a euphoric rally then crash it?

Could the entire Trump phenomena be a set-up to hang him with the ultimate blame for the inevitable failure of the paper money system? Sure. Could there really be people willing to inflict that type of misery and destruction on people just to retain power and wealth? Absolutely. They were there in 1929. They were there in 2008. And you can bet they are there now. Some of them just moved into powerful positions in the Trump Administration. Inside seats, if you will.

Do not think that the birth of the Fed in 1913 was unrelated to the roaring 20's and the subsequent Crash of '29. The Fed has been large and in charge ever since it *came* into existence. And its private owners excel at prospering greatly, first through the booms they create, then through the crashes they orchestrate. Our goal is to be able to navigate both environments if possible.

In closing, can there be a Trump boom? You betcha. Position your accounts accordingly! Inflationary assets are beckoning: financial stocks, infrastructure stocks, real estate assets, precious metals and other commodities, coal and energy stocks, and so on are calling for a closer look.

Can any Trump rally end exactly like it did in 1929? You betcha twice! We caution against betting your entire investment account on the notion that 'Happy Days Are Here Again' as the catchy Great Depression song goes. Considering catching a ride from here may be worthwhile, but don't be afraid to jump off. Or, just catch the ride in a moderate position … even better. Recognize two things: history repeats itself, and the bankers ***always*** win. 2017 might be ***very*** interesting.

As always, call us at (614) 734-9584 if we can help you allocate accordingly!

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[i] www.bloomberg.com
[ii] http://www.zerohedge.com/news/2017-01-19/us-government-caught-massively-fabricating-student-loan-default-data
[iii] https://en.wikipedia.org/wiki/Herbert_Hoover