HLM
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CAPITAL MANAGEMENT GROUP
of Wells Fargo Advisors

The Hefter Report – June 2017

As we had forecast in our April Hefter Report, the dollar has declined relative to most foreign currencies and interest rates have continued to fall. The result of these moves is that our international stock and bond investments have had an excellent rally. The election results in France and Great Britain did nothing to discourage investors and fund flows have been quite positive into European and other international markets. Some may say that the political atmosphere overseas has now become more benign than the one in the United States.

Although US markets have also risen in the past few months, concerns have grown that the imbroglio confronting the Trump administration could curtail potential legislation and that financial markets have already factored in the now higher valuations. Tech stocks have been hit especially hard as of late. Perhaps because they have the most to lose if tax reform and repatriation of foreign funds does not get done. The fear is that if the obstruction of justice investigation has legs, Congress will be too consumed with the scandal to take on these challenging issues. Furthermore, if things become bad enough for the President, the stain could spread to Republicans in Congress and even lead to their losing one or both houses next November.

With fears however, sometimes come opportunities. The actual likelihood of any impeachment proceeding is still slim and if infrastructure spending, tax reform or repatriation legislation did get passed, buying this recent dip may prove fortuitous.

Our view remains that international stocks and bonds still present better buying opportunities for new investment dollars. Equities overseas are trading at lower multiples of earnings than in the US, growth rates are equal or better and the reversal in the currency trend away from the dollar are all factors contributing to our conclusion.

Despite the Fed's recent increase in the Fed funds rate, the 10 year US treasury is now down to a yield of 2.15%. This continued low interest rate environment remains positive for preferred stocks and higher yielding bonds.

So we remain fully invested but with our eyes and ears glued to Washington. The technical chart indicators remain bullish as we see no signals of recession from yield curve, economic numbers, currencies or other extraneous factors.

Enjoy the summer.

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Stocks offer long-term growth potential, but may fluctuate more and provide less current income than other investments. An investment in the stock market should be made with an understanding of the risks associated with common stocks, including market fluctuations. Dividends are not guaranteed and are subject to change or elimination.

Investing in foreign securities presents certain risks not associated with domestic investments, such as currency fluctuation, political and economic instability, and different accounting standards. This may result in greater share price volatility. Investing in emerging markets accentuates these risks.

There are special risks associated with investing in preferred securities. Preferred securities generally offer no voting rights with respect to the issuer. Preferred securities are generally subordinated to bonds or other debt instruments in an issuer's capital structure, subjecting them to a greater risk of non-payment than more senior securities. In addition, the issue may be callable which may negatively impact the return of the security. Preferred dividends are not guaranteed and are subject to deferral or elimination.

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Past performance is no guarantee of future results and there is no guarantee that any forward looking statements made in this report will be attained.

Any indices referenced are presented to provide you with an understanding of their historic performance and are not presented to illustrate the performance of any security. Investors cannot directly purchase any index.

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