



POST OAK PRIVATE WEALTH ADVISORS

ADVISORY, CONSULTING & INVESTMENT MANAGEMENT

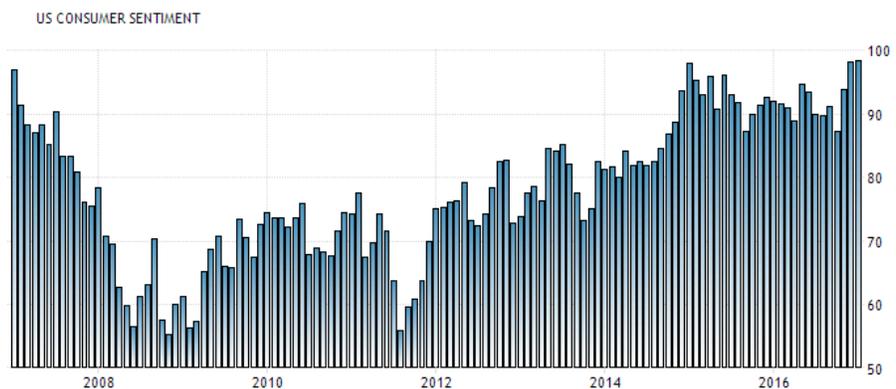
Monthly Economic & Market Update

January
2017

U.S. stock investors cheered as the Dow Jones Industrial Average closed above the 20,000 mark. The milestone is more symbolic, especially as investors look for signs of the direction Trump will take now that he's running the show in the White House.

The Economy:

Optimism about U.S. economic growth took a hit in January with the initial report on Gross Domestic Product (GDP) for Q4 at an annualized rate of 1.9% growth. That's much lower than the 3.5% annualized growth rate reported for Q3. This initial GDP estimate puts economic growth for all of 2016 at just 1.9%, equal to the rate achieved for 2015. Inflation continued to rise, hitting a two-year high of 2.1% on an annualized basis for December. Most of this growth, however, was driven by higher costs for energy and housing. The core inflation rate, which excludes volatile energy and food prices, rose 2.2% on an annual basis in December, within its range for all of 2016. The employment market remains firm, even though the December job report came in below expectations. The brightest spot in the employment picture was in workers' pay: wages are up 2.9% over the previous year, the strongest rise since the end of the recession. Those fatter paychecks are boosting consumer sentiment, which now sits at its highest level in over 10 years.



SOURCE: WWW.TRADINGECONOMICS.COM | UNIVERSITY OF MICHIGAN



Equities:

Beyond the Dow’s landmark crossing of the 20,000 barrier, the broader U.S. equity markets were mostly subdued for the month. The S&P 500 Index gained a modest 1.8% in January as the Trump rally appears for now to have cooled off. The benchmark U.S. stock index remains up around 7% since Election Day, but most of this rise occurred in the month immediately following Trump’s electoral victory. Returns were stronger in the more growth-oriented Nasdaq Composite Index, which gained 4.3% for the month. Small-cap stocks, however, lost some of their momentum and advanced just 0.3% in January as measured by the Russell 2000 Index. Materials stocks continued to lead the way among equity sectors, as investors remained hopeful for a revival of U.S. manufacturing and infrastructure build-out under the Trump administration. Energy stocks were the worst performers for the month, slipping over 3% as a sector as crude oil prices moderated in January.

Sector Performance:

Ranked by previous month total return best to worst

Materials	+4.6%	Broad-based strength in raw material producers except for steel makers
Technology	+4.4%	Software firms rallied while equipment makers struggled
Consumer Discretionary	+4.2%	Web retailers surged at the expense of brick-and-mortar stores
Health Care	+2.2%	Health care tech stocks showed strength; pharma continued to lag
Consumer Staples	+1.6%	Many declines in this sector save for tobacco and personal care
Industrials	+1.4%	Defense stocks managed a small gain while conglomerates fell
Utilities	+1.2%	Energy trading and independent producers powered this sector
Financial	+0.2%	Banks and asset managers were both drags on performance
Real Estate	-0.1%	Office and retail REIT shone but residential REIT declined
Telecom	-2.4%	Weakness persists as pricing wars continue
Energy	-3.6%	Oil companies dropped as the per-barrel price rally stalled

Source for equity sector total return data: S&P Dow Jones Indices, Index Dashboard: U.S., January 31, 2017





Bonds:

Yields on U.S. Treasuries remained at their elevated post-election levels in January, with the 10-year rate ending the month at 2.4%, close to where it had started the year. The mood in the bond market is mixed as investors weigh a confluence of signals from the Trump administration—from promises of fiscal stimulus and corporate tax reform, to threats of tariffs and protectionism. The Federal Reserve held steady on rates at its first meeting of the year, as expected, although restated its intention to pass through a series of rate hikes later this year. As of month-end, investors don't see another Fed rate increase coming until June, according to Fed funds future prices. New issues of corporate bonds were brisk during the month as companies looked to lock in low borrowing costs before interest rates move any higher. Returns for investment-grade bonds were mostly flat for the month, but high yield outperformed and continued their strong performance from last year.

The Month Ahead:

Uncertainty is likely to dominate in the near term, with investors remaining apprehensive about the direction of the market and the prospects for investment returns. Much of this apprehension comes in reaction to events in Washington D.C. The first days of the Trump era have been action-packed, driven almost entirely by executive orders and Twitter posts. But not all campaign promises can be fulfilled from the Oval Office. Eventually, Trump will have to engage with Congress to enact his agenda. He may find GOP allies in the House and Senate willing to work with him, but there may also be some resistance to many of his fiscal stimulus plans, especially as they increase government spending and lead to higher interest rates.

Past performance does not guarantee future results. There is no guarantee that any investment strategy or account will be profitable or will not incur loss. Investors should consider the investment objectives, risks, charges and expenses that make up this investment strategy carefully before investing. Investing involves risk, including the possible loss of principal. Share price, principal value, and return on investments will vary, and you may have a gain or a loss when you sell your investment.

This presentation and the data herein is neither an offer to sell nor a solicitation of any offer to buy any securities, investment product or investment advisory services offered by Post Oak Private Wealth Advisors. ("Post Oak") This presentation is subject to a more complete description and does not contain all of the information necessary to make an investment decision, including, but not limited to, the risks, fees and investment strategies of any Post Oak products or services. Any offering is made only pursuant to the relevant information memorandum and accompanying, subscription materials, including Post Oak's Form ADV Part 2, all of which must be read in their entirety. This information is not an advertisement and is not intended for public use or distribution and is intended exclusively for the use of the person to whom it has been delivered. The contents of this report have been compiled from original and published sources believed to be reliable, but are not guaranteed as to accuracy or completeness. Market opinions contained herein are intended as general observations and are not intended as specific investment advice. Market index performance is provided by a third-party source deemed to be reliable. Indexes are unmanaged and have been provided for comparison purposes only. No fees or expenses have been reflected. Individuals cannot invest directly in an index.

