

# Global Stock Markets Continue to Climb in Second Quarter 2017

Foreign stocks have begun to assume leadership, and may continue outperforming domestic stocks thanks to more expansionary monetary policies, strengthening growth, and less expensive valuations.



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As Director of Asset Management for HBKS® Wealth Advisors (HBKS®), Brian Sommers oversees the firm's investment management processes for a distinguished group of nearly 30 investment advisory representatives. Mr. Sommers chairs the Investment Policy Committee of the firm and is instrumental in the identification, evaluation and recommendation of the investments that make up HBK's portfolios. He brings HBKS clients the expertise of more than 20 years managing a wide range of portfolios for both high net worth individuals and institutional clients.

Over his career, Mr. Sommers has managed an impressive array of investments, including Taft-Hartley plans and endowments, and plans for foundations, corporations, individuals and public entities. He has held positions in investment consulting and client service for both institutional and high net worth clients.

During the past nine years many central banks around the world have been supplying monetary stimulus in order to lift global economic growth. These expansionary policies have enabled the worldwide economic recovery to continue, although at a very slow pace, without causing a spike in inflation.

As a result, equity markets around the world have climbed steadily during this time, with U.S. equity markets substantially outpacing those of other countries. During the second quarter of 2017 stocks continued to climb, but there was a pronounced shift in leadership. The stocks of other developed countries and emerging markets outperformed domestic equities as many overseas economies posted improved growth. U.S. investors owning international stocks also benefited from a declining dollar.

In late June, several U.S. central bank members signaled they are poised to raise interest rates. Not surprisingly, global equities and bonds fell sharply as investors began to price in higher rates. Investors began looking for signs of economic and market weakness even though global growth continued to improve.

As we head into the second half of the year, the environment remains favorable for global equities. Interest rates are still low, jobs are being created, and inflation remains under control. Gross Domestic Product in the U.S. is still expected to grow around 2 percent, which is tepid but should be enough to allow corporate earnings to continue to improve. As long as the U.S. dollar doesn't move dramatically higher and the Federal Reserve doesn't raise rates more than one time in 2017, stocks could continue to rise.

Outside the U.S., recent data shows growth rates are nominal but strengthening as the effects of the stimulative monetary policies of foreign central banks have begun to take hold. Many foreign stocks also have less expensive valuations than their peers in the U.S., so foreign equities could continue to outperform U.S. equities.

While the economic fundamentals appear sound, a wild card in the overall picture is the U.S. Congress and its efforts relative to tax reform and infrastructure spending. No matter the conjecture over the longer term effects, in the short-term most market observers believe the passing of legislation in these areas would provide a boost to both economic growth and stock prices. □

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