What a difference a year makes! Twelve months ago investors were trying to catch their breath following what was one of the worst starts global equity markets have ever experienced. You may recall, in our first quarter 2016 commentary we noted, "concerns surrounding slowing growth in the U.S. and abroad, plunging oil prices, increasing illiquidity in the fixed income markets, and looming Fed rate hikes conspired to unnerve investors through mid-February." This is almost the exact opposite situation experienced during the first quarter of 2017. So far this year, the major global indexes have moved higher due in large part to the anticipation of accelerating growth around the world, oil prices that have been steady if not rising, reasonable liquidity in the fixed income markets as fund flows continue to show allocation to bonds, and while the Fed has indicated they will continue to raise rates – market participants appear reassured that rate hikes only confirm ongoing economic growth.

During the first quarter, U.S. stocks as measured by the S&P 500 climbed approximately 6% and non-U.S. stocks as measured by the MSCI ACWI ex US posted a similarly impressive return. The strength in the equity markets during the first ninety days of 2017 has already exceeded many Wall Street strategists' forecasts for the entire year. However, while stocks climbed, the domestic bond market as measured by the Bloomberg Aggregate Index was only able to manage a gain of 0.8%. The low returns were likely a result of fixed income investors beginning to incorporate the Fed's commitment to raising rates into their respective forecasts.

While we were certainly glad to see the strong returns of late last year continue into 2017, we caution investors to expect a potential 5-10% pullback in the equity markets at some point during the year. While acknowledging markets rarely go straight up, we remain optimistic that any pullback in the equity markets will be exactly that, a pullback and not the beginning of a more meaningful decline. Underlying fundamentals remain relatively strong, valuations are above historical averages but not overly expensive (especially outside of the U.S.), domestic interest rates are reasonably stabile, and broad investor sentiment remains far from "irrational exuberance." This gives us confidence in our expectations that the year will end with 2017 having been another good year for investors that are properly diversified and remain focused on the long term.

The pullback in early 2016 served as a reminder that volatility in the investment markets can come on suddenly and often unexpectedly. If these declines would cause an investor to second-guess their allocation or investment approach, now is the time to discuss this with your financial advisor not following a market sell-off. We encourage our clients to reflect on periods of increased volatility while all seems well in the market, allowing for downside protection strategies to be discussed and outlined ahead of time. Investors should resist the temptation to be lulled into a false sense of comfort during periods of extended calm in the market. While we admittedly do not know when the next spike in volatility will arise, we remain confident that at some point in the future it will once again catch those investors that have not taken the time to reflect on their risk tolerance and long-term objectives off guard.

RIVERGLADES FAMILY OFFICES, LLC IS A REGISTERED INVESTMENT ADVISER. INFORMATION PRESENTED IS FOR EDUCATONAL PURPOSES ONLY AND DOES NOT INTEND TO MAKE AN OFFER OR SOLICITATION FOR THE SALE OR PURCHASE OF ANY SPECIFIC SECURITIES, INVESTMENTS, OR INVESTMENT STRATEGIES. INVESTMENTS INVOLVE RISK AND UNLESS OTHERWISE STATED, ARE NOT GUARANTEED. BE SURE TO FIRST CONSULT WITH A QUALIFIED FINANCIAL ADVISER AND/OR TAX PROFESSIONAL BEFORE IMPLEMENTING ANY STRATEGY DISCUSSED HEREIN.

Investment Management Consultants Association®(IMCA®) is the owner of the certification marks "CPWA®" and "Certified Private Wealth Advisor®." Use of CPWA® or Certified Private Wealth Advisor® signifies that the user has successfully completed IMCA's initial and ongoing credentialing requirements for wealth advisors.