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Another headwind facing the US economy, regardless of the political antics of Washington, is the continued weakness in the global economy.

The IMF (International Monetary Fund) has forecast another year of subdued global growth for 2017. Their latest forecast warns that the “persistent stagnation” in the global economy could fuel the growing anti-trade sentiment sweeping much of the world. A listless global economy will make a robust US recovery even more elusive as we kick-off 2017.

- **US Stocks** Valuations are at the higher end of historic norms which would usually augur meager returns in coming months. Fortunately, when adjusted for low current interest rates and muted inflation, stocks look to be more reasonably valued. Any upside surprise to corporate earnings, whether due to lower tax rates or surprisingly good economic growth, would support more than meager returns. Maintain a target weight to slight over-weight.
- **US Bonds** Alan Greenspan, former president of the Federal Reserve, says he is more worried about bond prices than he is stock prices. So are we. Should the ambitious economic growth policies of the incoming administration be successful, then interest rates would be pushed to levels higher than currently expected. That increase could precipitate a sell-off in bonds. We maintain an under-weighting with emphasis on corporates of intermediate to long durations and inflation protected treasuries.
- **Commodities** This asset class has been an abysmal performer for the past five years. Prices have eroded significantly and thus valuations are attractive on a supply and demand basis. We have moved to a slight over-weight with holdings of futures and stocks.
- **Non-US Developed Stocks and Bonds** Concerns over currency risk and potential geopolitical events make foreign developed stock markets relatively unattractive. Mitigate risk in these markets through hedging.
- **Emerging Markets** Potentially the most rewarding asset class in the coming year. Should benefit from the stabilization of commodity prices and improved management of debt. Still at risk from an increasingly strong US dollar. Recommend over-weight position based on the risk and return profile.

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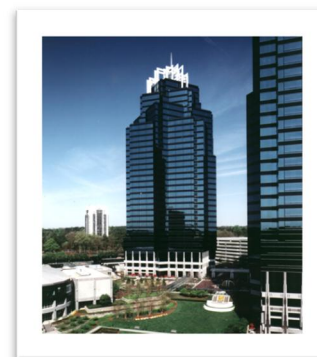
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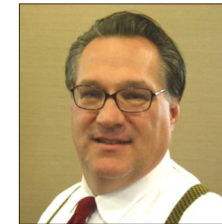
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Stephen Molyneaux

## Wholesale Change In The New Year?

*The political landscape has undergone a significant shift  
and the economic consequences are yet to be realized*

President Trump and his new cabinet have proposed an ambitious agenda. They propose a sweeping overhaul of the tax code, claiming it will be the largest comprehensive change to the tax code since the Reagan era. Income tax brackets will be redefined and reduced, and tax rates will be cut across the board. Also, corporate tax rates are scheduled to be slashed significantly in the coming new year and plans for repatriating overseas earnings (currently said to be near \$2.70 trillion dollars) are in the works. In addition to tax cuts, an array of federal rules and regulations are on the chopping block. The White House has made remarks regarding existing trade agreements and even the possibility of targeted tariffs. The new administration also plans extensive changes in the nation's energy policies and a massive investment in infrastructure.

**Rolling Back Regulations, Overhauling The Tax Code, And Targeted Tariffs Are On The Agenda For 2017  
The Unforeseen Consequences Of Such An Ambitious Platform Looms Large For Investors**

Wall Street has so far greeted the new administration's plans with optimism, but the inherent risk in the implementation and the unforeseen consequences of such an ambitious agenda looms large. The political landscape has undergone a significant shift and the economic consequences are yet to be realized.

**The Problems Of Debt And Demographics Will Continue To Be A Drag On The US Economy In 2017  
Regardless Of Which Political Party Holds Power**

Irrespective of what transpires in Washington, investors need to keep in mind just how fragile and precarious the US economy remains as we move into the new year. The nation is still climbing out of a deep financial hole following the Great Recession of 2008. The US economy, along with all the other developed economies, remain burdened by mountains of debt and aging populations. Regardless of politics, these structural problems of both debt and demographics will remain with us as we begin a new year.

**Investors Need To Remember Just How Fragile And Precarious The US Economy Is As We Move Into 2017  
The Nation Is Still Climbing Out Of A Deep Financial Hole Following The Great Recession Of 2008**

Despite massive deficit spending and the extraordinarily accommodative policies of the world's central banks the post 2008 recovery remains the weakest economic recovery in modern history. A recent article from *Zero Hedge* clearly demonstrates the US economy may be much weaker than most investors believe: The national debt has skyrocketed from \$10 trillion in 2008 to over \$19.3 trillion this year, a whopping 94% increase in less than a decade. The US government has spent a king's ransom in the past eight years trying to get the economy moving. Even after spending nearly 10 trillion dollars, the real GDP of the US remains sluggish and has grown by only a paltry 5.4% since its 2009 low.

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When using a realistic measure of inflation, the data from *Zero Hedge* would indicate that the US has been in a near recession since 2000. The labor participation rate remains mired at levels not seen since the 1970s, and wages have seen only minimal growth throughout the recovery. For tens of millions of Americans, there has been no recovery at all. More than 14% of the US population is still (as of 2016) receiving food stamps. The percentage of Americans dependent on food stamps is virtually unchanged over the past five years of the recovery. Nearly 100 million Americans now receive benefits from 79 different federal programs offering means-tested subsidies (this figure does not include programs such as Social Security, or unemployment benefits). In just the last two years, after spending trillions of dollars, the cities of Los Angeles, Seattle, and Portland, plus the state of Hawaii have all declared states of emergency as they have tried to cope with the growing number of homeless people.



**There Has Been No Economic Recovery For A Great Number Of Americans  
Currently, There Are Still Nearly 100 Million Americans Receiving Means-Tested Federal Benefits**

The recovery has been rough for many Americans. It has been especially hard on millions of retirees and those approaching retirement. The Federal Reserve's long-running policy of suppressing interest rates has either severely curtailed or shattered the retirement plans of the more than 90 million Americans saving for retirement. For those people over the age of 55, who are averse to risk and approaching retirement, this low-rate Fed policy alone has destroyed many of their retirement plans. Tens of millions of Americans have saved their entire lives and were relying on their life savings to generate enough income to ensure their economic security in retirement. Suppressing interest rates for so long has devastated their retirement plans. The difference between your life savings earning 0.25% as compared to a more normal savings rate of about 4% is tremendous. Keep in mind that in the year 2000, a one-year CD was paying a rate of 5.63%! It cannot be overstated just how devastating this Federal Reserve policy of suppressing interest rates has been on the nation's risk-averse elderly population.

**The Federal Reserve's Long-Running Policy Of Suppressing Interest Rates Has Severely Crimped The Retirement Plans Of Tens Of Millions Of Risk-Averse Americans**

As stated earlier, investors need to remember – especially in the face of all the recent Wall Street optimism the US economy is starting the new year still weak and just beginning to crawl out from under the Great Recession.

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**A Reminder to all Hanover Advisor Clients**



We want to remind all clients to contact our office to schedule a portfolio review. We would be happy to coordinate either a sit down meeting, a conference call, or an online meeting at your convenience. Please call our office to schedule an appointment.

**Call: (770) 392-3998 or (800) 874-5238**

# It's Not Too Late To Contribute To Your 2016 IRA

## 2016 IRA Contributions Can Be Made Until April 18th 2017

The deadline for IRA contributions for tax-year 2016 is April 18, 2017. Deposits must be received by Pershing or postmarked for delivery to Pershing's New Jersey office by the deadline (see address below). Please do not wait until the last minute as mail and courier services cannot guarantee prompt delivery.

The total contribution for IRA accounts remains the same this year as last. For those individuals age 50 and younger the maximum tax-deductible contribution is \$5500.00. For those individuals over the age of 50 the maximum tax-deductible contribution for IRA accounts is \$6500.00.

- ✓ **Deadline for 2016 IRA contributions is April 18, 2017**
- ✓ **The Maximum Contribution For Individuals Under Age 50 Is \$5500.00**
- ✓ **The Maximum Contribution For Individuals Over Age 50 Is \$6500.00**

Please make your contribution check payable to: Pershing Advisor Solutions, LLC. Also, make sure you include your Pershing account number on the check and *make a notation indicating the contribution is for tax year 2016*. Should you have any questions regarding your IRA contributions please feel free to contact our office at the phone numbers listed below.

**Mail checks to:**

**Pershing, LLC  
Attention: 4th floor  
One Pershing Plaza  
Jersey City, NJ 07399**

**Telephone: (770) 392-3998 or (800) 874-5238**



## Important Notice to Hanover Advisors Clients



Due to a glitch in their software systems upgrade, Pershing Advisor Solution has mistakenly been charging clients \$10.00 per mutual fund exchange. The fee is in error. Clients of Hanover Advisors pay no transaction fees in their accounts. The error is in the process of being corrected and all fees mistakenly billed to clients will be reversed.