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2017 could be a good year for the economy and investors

By Peter Chieco

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I am optimistic about the domestic economy for 2017.

While consumer confidence has been on the rise since the presidential election, we should not forget that GDP growth over the past three quarters has been increasing, signaling the potential for higher growth in 2017. With job growth also running at a moderately good pace and unemployment below 5 percent, there are signs that the stage is being set for an economic rebound in 2017.

According to the most recent GDP report, consumer spending continues to be a driver of economic growth. Consumer attitudes have remained positive, above the long-term average, thus I expect consumers to continue increasing spending in line with income. To me, that is an indicator that investors should consider consumer cyclical stocks, for example.

One aspect of the overall economy that might experience a boost and of particular interest to our regional economy is the aerospace and defense industry. While investors should keep in mind that there are still many unknowns when it comes to which policies will be enacted, President-elect Donald Trump has indicated expansions throughout our military.

Some analysts have estimated that Trump's proposals to the military would cost about $55 billion to $60 billion extra per year over four years, for the basics, with full implementation more in the range of $300 billion over the same four years. For example, his previously stated plans include boosting today's Army significantly, adding more ships and submarines for the Navy, more aircrafts for the Air Force and increasing the number of Marines, among other initiatives.

It remains to be seen if President-elect Trump will pursue these previously stated objectives. Just as significant is how Congress may respond, particularly with the 2011 spending caps in place. Still, industries impacted by potential increases in the defense budget may be an area worthy of investor consideration, for those willing to accept the associated risks and willing to research which companies may offer the greatest opportunities.

There is another area worthy of investor consideration: cybersecurity. If the current climate is any indication, it seems reasonable to expect that cyber incursions will continue to be a major issue in 2017 and beyond. In fact, a recently released report strongly advised the Trump administration to make cybersecurity a high national priority, with hiring and training of cyber experts and other investments in the high-tech industry. Here too, investors should be especially cautious, making sure a company's offerings are realistic and deliverable – at a profit.

With anticipated stronger overall growth momentum, potential for increased prices for oil, combined with the new administration's promise for increased domestic production across the energy sector and the dollar’s appreciation against other major currencies, a case can be made for inflation to hit or even exceed central bank targets over the next two years. This could in turn lead to improved opportunities for markets and investors.

As always, however, there are never any guarantees. All investors should be mindful of changing economic conditions and ever vigilant in monitoring their portfolios.

Meanwhile, we exit 2016 with a record-breaking stock market run. A year ago, who would have believed that a Dow Jones Industrial Average of 20,000 would actually be within sight as we close out the year? What unforeseen and unpredictable factors may arise in the months ahead to influence the stock market and the economy?

Now is the time to reevaluate our objectives and remain flexible and able to make any adjustments in investment strategy that may quickly arise.

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