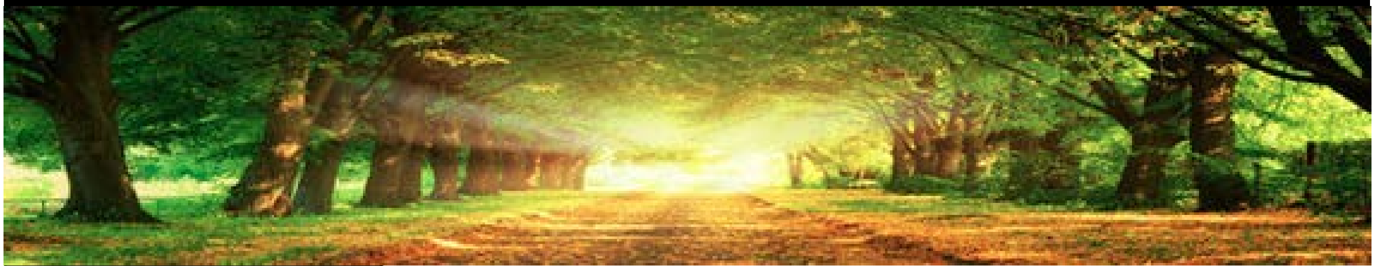
MARCH 28, 2017



Celestial Wealth Management

IN THIS ISSUE

MARKET UPDATE
Positive Optimism Reigns

SUMMARY OF INVESTMENT THEMES

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Market Update

- On March 1st, the Daily Sentiment Index from trade-futures.com reported 91% bulls among S&P futures traders (highest since Nov. 8 2010)
- Mutual fund cash has fallen to the lowest percentage on record (3%) according to the Investment Company Institute.
- The Dow closed higher for 12 consecutive days from February 9-27. There have only been two longer consecutive streaks in 121 years. (1987 and 1897)
- The early March Investors Intelligence Advisors survey found 63.8% of financial advisors are bullish. That is higher than every single weekly reading since January of 1987!

Combining these optimistic sentiment extremes with historically high U.S. stock market valuations culminated in this image created from CNBC.

Is this the harbinger of some big market decline? Who knows, but when images and statistics like these appear, it is often best to proceed with caution. As we all know, when things are going well the financial media parades out the most bullish people they can find and when bad news hits the tape they try to find the most bearish people they could find.

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I ran across this image which I thought sums it up well. The image at the bottom was taken on the day Donald Trump was elected and the picture on the top was taken in late February.

This image is exhibit A for a contrarian approach. Buy when everyone is selling and sell when everyone is buying. Its hard to do but has generally been a winning strategy.

Baron Rothschild, an 18th century Brit and member of the Rothschild banking family is credited with saying,

"The time to buy is when there's blood in the streets."

Be selective, be nimble and look for opportunities to pounce on great companies when they go on sale. Meantime, stay diversified around the globe via a mix of core investment strategies that aim to build wealth conservatively. I have laid out many places to look for investments in the past few months and those still hold true today. Good luck and enjoy the best time of the year, March Madness!

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Investment Ideas

- **Rather than trying to "beat the market", focus on beating inflation and the rate on cash. Plan for safety and liquidity while seeking positive returns.**
- Equity valuations are very rich but masked due to the distortion of the Treasury curve. Volatility is returning to the markets and I think long/short managers are best positioned to capture this volatility by owning companies with strong businesses, barriers to entry, and good valuations and selling short weaker companies with high debt loads that have risen sharply with the broad market rally. I think this strategy of <u>hedged equity may have the potential to produce attractive risk-adjusted returns</u> if and when investors begin to question the valuations of companies. Stock investing involves risk including loss of principal. No strategy ensures success or protects against a loss. Long positions may decline as short positions rise, thereby accelerating potential losses to the investor.

- Monsoon country investments. Attempting to take advantage of demographic, educational and investment possibilities in the countries surrounding the old spice routes of the Indian Ocean. International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.

- In 2013, the Affordable Care Act began implementation. There will be many winners and losers in the healthcare industry as a result of the biggest change in the healthcare industry's history and what the new administration decides to do with it. With the largest portion of the U.S. population entering their golden years, healthcare needs will become even more important. Long/short Healthcare seems to be a very attractive way to invest in a sector with lots of potential and lots of potential pitfalls. Investing in a specific sector involves additional risk and will be subject to greater volatility than investing more broadly.

- A potential U.S. infrastructure upgrade cycle may be around the corner. Moving from our current grade of D+ to B would require an investment of $3.6 trillion by 2020.

- Supply problems remain high across the energy asset class. While there isn't a current shortage of energy on the planet, it is taking more and more energy and capital to discover, drill, transport and refine it. Long term Demand should continue to grow globally, particularly in China, India, and other developing countries.

- Potential food shortages due to inclement weather and higher demand from the emerging Asian middle class could result in a boon to agricultural land and potash fertilizer companies. International and emerging market investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

- The rise of E-Commerce has coincided with an increased desire for efficient warehouse distribution real estate. As e-commerce moves toward even faster delivery, positioning of distribution becomes even more important.

- Precious metals mining companies have been extremely beaten down over the past four years but have begun rising. Mining is an industry that spans hundreds of years. Companies that mine for commodities are often highly cyclical, meaning they have sustained moves both up and down. When investing in the mining space it is important to be a contrarian. Ideally, you would want to accumulate miners when sentiment is poor around them and sell them when sentiment is positive. Historically this has been a good strategy.

  No strategy ensures success or protects against a loss.

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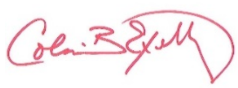
Regards,



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