

Stonebridge Market Wrap

February 3, 2017

For the week ending February 3, 2017

Most of last week was a bit boring if you ask me. Oh sure, Apple and Facebook had great earnings among a few others, but on the whole, the week appeared directionless. We are waiting for something to happen considering the DJIA crossed 20,000. The one thing that moved *bigly* besides Apple was gold. The dollar continued to weaken as well.

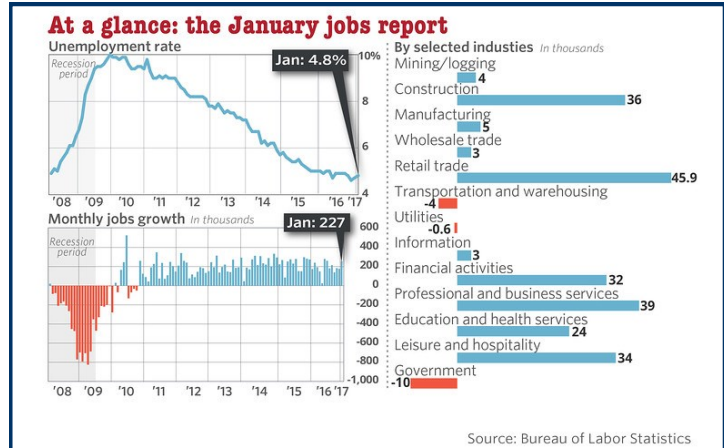
When the Friday's jobs report posted, the market woke up and leapt higher. We got a good number amid further news of regulatory relief that shot the banks higher. Overall, the market was up a bit last week with the exception of the Dow cooling off. Earnings reports continue to flow and, for the most part, are not disappointing. There is a bit of caution to be expressed looking forward but that is natural with a new administration getting its feet wet. The markets like the regulation rollback and tax cut talk.

Meanwhile, the French elections are on April 23rd and like Brexit, there seems to be another referendum on the EU. With the Right in the ascendency in the name of Marine Le Pen, this election could deliver another shock to the system like Brexit and Trump.

David A. Eckenrode
Director of Equity Management

Key Economic Releases for the coming week:

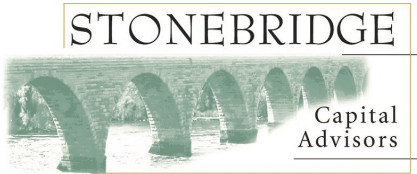
No major releases expected



Index & Price Changes for week ending - 2/3/17

DJIA – 20,071.46	Fell 22.32 points
NASDAQ – 5666.77	Rose 5.99 points
S&P 500 – 2297.42	Rose 13.15 points
S&P Small Cap 600 – 841.34	Rose 2.98 points
90 Day T Bill – 0.50%	Yield was unchanged
2 yr TSY – 1.20%	Yield Fell .02%
5 yr TSY – 1.93%	Yield Fell .01%
10 yr TSY – 2.49%	Yield Rose .01%
30 yr TSY – 3.11%	Yield Rose .05%
Oil - \$ 53.69*	Rose \$.77 per barrel
Gold - \$ 1217.20*	Rose \$27.90 per oz.
Unleaded Gasoline *-\$1.54	Rose \$.01 per gallon
Euro - \$ 1.0763	Rose \$.0069 against the \$

* Wholesale price for NY Mercantile Exchange traded



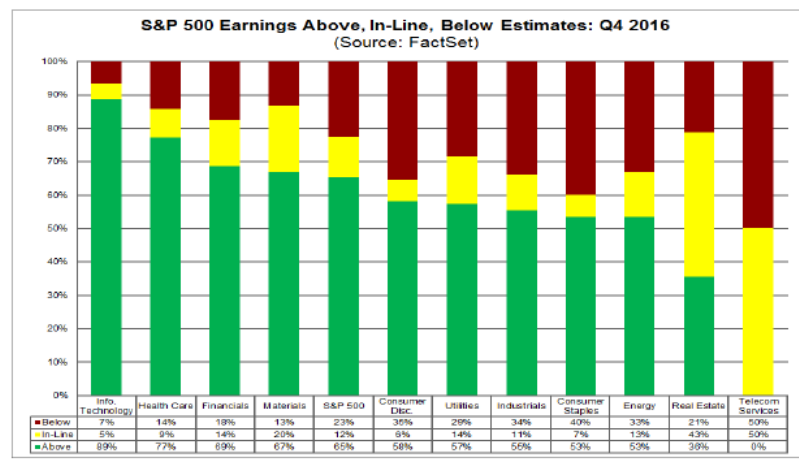
Fake News !!

The mainstream media has been all abuzz about the general populous (all of us) receiving fake news from illegitimate news sources, particularly over the internet. Mainstream media sources would claim the only news that is “factual” comes from major channels or print: ABC, CBS, NBC, FOX, CNN, or NY Times, Wall Street Journal, Time, Tribune etc. My recent experience in attempting to utilize major media is a classic example of why we (the general populous) are forced to utilize other resources to gain unfiltered straight forward NEWS!

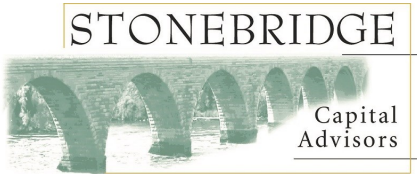
As I drove to work last week I have three options for business/market news prior to market open. I can listen to CNBC, FOX Business or Bloomberg Radio. All three are channels supposedly dedicated to Business, Finance, Markets and Economy. On this particular day, as is true for the first month and a half of each quarter, especially the first month and a half of a new year, I look forward to a flood of “earnings reports” from the companies we follow, as well as economic updates. It is Earnings Season!! As I moved from channel to channel in search of earnings news, all I heard were editorial commentaries about our representatives and President in Washington, both left and right perspectives. All the remarks were the news commentator’s opinions, with no facts or news supporting their position. My trip and the constant flow of non-fact based editorial commentary lasted 45 minutes no matter what channel I went to. THIS IS EARNINGS SEASON for financial media. It is a time for the critical market news not for a newscaster’s personal opinion on politics. So, I found myself in the position of having to go to the internet and searching several different websites to find news and facts about earnings reports and economic updates. There I found actual facts and news that were applicable for what I needed to know to reach my own educated decision based on the information. Sadly, I found real facts and news on the alternative sources and only “fake news” or editorial commentary on major media.

Why am I so revved up about this? We often receive questions about where we believe the economy is moving and how we believe the market will perform going forward. With all the attention major media is giving to political editorial commentary it detracts from what matters to us about the companies and markets we follow. Earnings matter. We are about half way through earnings report season. At this point roughly 65% of the companies reporting have met or beat analysts’ expectations. About 33% of management teams are projecting favorable growth trends going forward.

Q4 2016: Scorecard



Source: FACTSET



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Fake News !! - *continued*

Management teams are usually conservative in forward looking estimates. As we expect at this latter stage of the market cycle, investors have strong reactions to earnings that are missed or mildly meet expectations. This leads us to narrow our search for companies that we believe have strong positions in their markets and are likely to grow their revenues and earnings going forward. In short we must be very selective in companies we acquire and consider sale of those who are not likely to grow. The market continues to narrow.

On the economic front there was reasonably good news. There were 227,000 jobs created in January and the unemployment rate is at 4.8%. Average wages edged up 0.1% to \$26 per hour. Economic news from the Eurozone indicates a marginal turnaround underway with growth at 1%.

We will continue to focus primarily on the revenue and earnings reports (facts) of the companies we follow for investment decisions as opposed to political rhetoric or editorial commentary. Earnings matter.

Robert A. Kincade
President & Portfolio Manager