



For the week ending March 3, 2017

The chart at the right tells a very interesting story. It seems that in July we started to get more positive, particularly in U.S. Large Cap. This trend became a flood after the election. The market reaction of course verifies this move. Now what? The chart below is the Google Trends search frequency for “sell stocks”. It’s a bit hard to read but the left side is 2007 and the right is the present. Note when everyone was searching “sell stocks”. Fall 2008, Spring 2009, Fall 2011, half of 2014

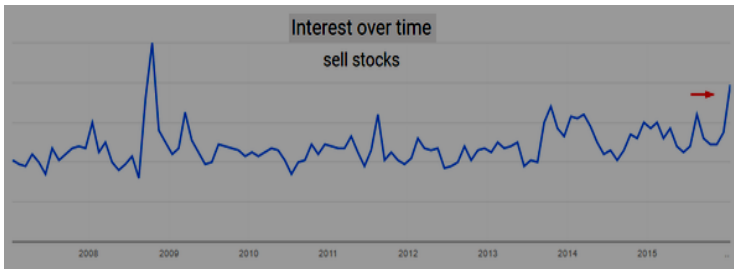
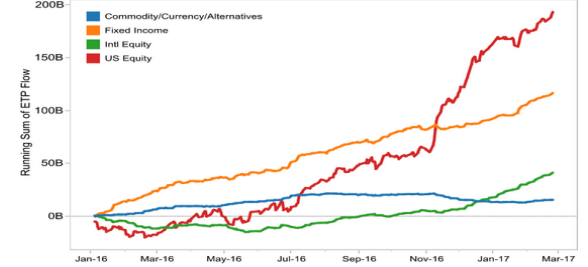
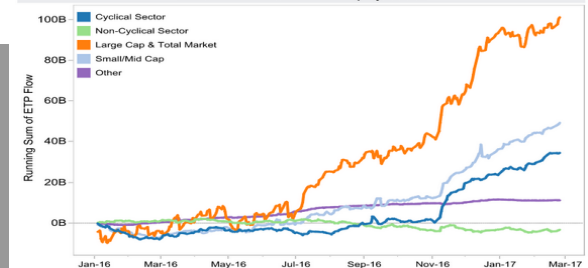


Exhibit 3: Inflows in Both Equities and Fixed Income ETPs
Cumulative Weekly ETP Flows



Source: Credit Suisse Trading Strategy, Factset. Data through 2/24/2017.

Cumulative Domestic US Equity Flows



Source: Credit Suisse Trading Strategy, Factset. Data through 2/24/2017.

and now. Investors shouldn't have sold any of those times.

That's a pretty good contrary indicator if you ask me.

By the way, the market kind of liked the President's speech this week. Just sayin'. We also passed another milestone in that we finished over 21,000 on the Dow.

David A. Eckenrode
Director of Equity Management

Key Economic Releases for the coming week:

Friday, March 10th:

- ◆ Unemployment; 4.8% expected
- ◆ Nonfarm Payrolls; 183M expected

* Wholesale price for NY Mercantile Exchange traded contract

Index & Price Changes for week ending 3/03/17

DJIA- 21,005.71	Rose 183.95 points
NASDAQ- 5870.75	Rose 25.44 points
S&P 500- 2383.12	Rose 15.78 points
S&P Small Cap 600- 849.38	Fell 1.91 points
MSCI EAFE -	Fell points
90 Day T Bill- 0.70%	Yield Rose .19%
2 yr TSY- 1.30%	Yield Rose .16%
5 yr TSY- 2.01%	Yield Rose .21%
10 yr TSY- 2.49%	Yield Rose .18%
30 yr TSY- 3.08%	Yield Rose .13%
Oil- \$ 53.36*	Fell \$.65 per barrel
Gold- \$ 1234.10*	Fell \$2.70 per oz.
Unleaded Gasoline*- \$1.66	Rose \$.15 per gallon
Euro- \$ 1.0559	Fell .0049 against the \$

Snapchat Goes Public!

It seems every couple years a big social media company goes public and opens at nosebleed valuation levels. Valuing these new companies is extremely difficult for two main reasons; there is often little history of actual revenue/profit generation, and it is relatively new technology. Who knows how long their competitive advantage can remain intact? Mobile app users are a finicky bunch. Last summer it seemed Pokémon Go was a new religion, people were actually walking into traffic because they were so glued to this app. However, several months have passed and it has nearly vanished off the face of the earth. Tackling the revenue and profit issue has proven to be extremely difficult, even for companies that have been in this market for much longer than Snapchat. Twitter, for example. While this app has incredible popularity, they have challenges in monetizing their product. Their stock price has reflected the frustration of shareholders with management's inability to convert popularity into dollars. Facebook, on the other hand, has proven their ability to partner with advertisers and generate a healthy revenue stream while not diminishing the experience delivered to the user.

Snapchat is not without competitors. Facebook has the financial resources, experience and user base to make user adoption difficult for Snapchat. Facebook now owns Instagram, another image media platform that looks to have set their sights on Snapchat's market. All of the negatives aside, Snapchat is an incredibly fun and simple social media platform that has tremendous popularity, particularly among young adults (below is an example of how the app is used). If executed properly, this could be a very successful company. However, we'd rather wait and see their plans for monetization to solidify before committing our client's capital. As a wise man once said, I'd rather be late and right, than early and wrong.

Michael J. Dashner CFA
Portfolio Manager

