Stonebridge Market Wrap

March 24, 2017

For the week ending March 24, 2017

Mea Culpa. My bad. I should have known better than to tempt the gods of the market when I wrote last week about how long it had been since a 1% down move. Well the gods delivered their message loud and clear. The Wrap went out on Monday and on Tuesday the market dropped over 1%. Oh sure, they said it was because of trouble in congress over the health care bill and worries about the eventual tax cuts but we know the truth. It was my fault.

The drama of the week vacillated between the wiretap & leak investigation and the new healthcare law. It's sucking all of the oxygen out of the room. Personally, I think we are spending too much energy trying to follow all of the goings on in Washington. Will there be a bill? What bill is coming up next? Will they have enough votes to pass or block? Fortunately, earnings season is right around the corner.

David A. Eckenrode
Director of Equity Management

Key Economic Releases for the coming week:

Tuesday, March 28th:

- Consumer Confidence, 114.8 expected

Thursday, March 30th:

- 4th quarter GDP final, 1.9% expected

Index & Price Changes for week ending 3/24/17	
DJIA– 20,596.72	Fell 317.90 points
NASDAQ– 5,828.74	Fell 72.26 points
S&P 500– 2,344.02	Fell 34.23 points
S&P Small Cap 600– 825.58	Fell 23.96 points
90 Day T Bill– 0.76%	Yield Rose .04%
2 yr TSY– 1.25%	Yield Fell .07%
5 yr TSY– 1.93%	Yield Fell .09%
10 yr TSY– 2.40%	Yield Fell .10%
30 yr TSY– 3.01%	Yield Fell .10%
Oil- $ 48.05*	Fell $0.69 per barrel
Gold- $ 1,251.70*	Rose $23.20 per oz.
Unleaded Gasoline- $1.61*	Rose $0.02 per gallon
Euro- $ 1.0806	Rose $0.0071 against the $

* Wholesale price for NY Mercantile Exchange traded contract

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Bond Market Rebound

Fixed income markets have largely benefited as the havens for safety over the last week as the equity market has been a bit bumpy. 10-year Treasuries marked a low of 2.37% during the week, falling from a high of 2.62% at the start of last week and prior to the Fed Funds rate increase. Falling Treasury yields have pushed prices higher and that's influenced the direction of trading across all markets.

Yields have fallen in the corporate and municipal bond markets, mostly from the belly of the curve and out. We are still finding some value in areas of the curve that have not rallied as significantly. This week we were mainly buying tax-exempt credits in the 4-7 year range, like the Pennsylvania State Higher Education System bond due in 2024, priced at a 1.50% yield to the three-year call. If not called early, the bonds jump all the way to a 3.15% yield to maturity.

For retirement and other exempt portfolios, we have largely been targeting taxable bonds in the three to five-year range, like the three-year Dow Chemical bonds we found at a 2.50% yield. That is just about one full percentage point more in yield than comparable Treasuries and about 85% of the yield of the longest 30-year Govies! Even though some parts of the curve may rally on the flight to quality trade, there are still some good yields out there to be had!

Jon F. Lynn
Senior Analyst & Portfolio Manager