

For the week ending March 31, 2017 I put the chart at the right because it genuinely surprised me. As that doesn't often happen, I thought it might surprise you dear reader as well. Take a look at the red line which represents oil imports. Down she goes, due to (in no small part) the fracking industry. We import less because we produce more. Now look at the light blue line. Note that the non-oil balance of trade has actually gone positive. Exporting more goods and services and importing less oil. A lot less.

Well, the first quarter ended right on schedule and what a quarter it was. In fact, with the end of the first quarter being positive that makes it six up quarters in a row (Dow and S&P). That has not happened in ten years. What does that tell us about future returns? Nothing in particular unfortunately. A few weeks ago we had just finished a 12 day winning streak which was followed quickly by an 8 day down streak. Instantly, the media flipped the meme from "Trump Bump" to "Trump Slump". Incidentally, if you search each term in Google you get the following results; Bump- 440,000 hits, Slump; 300,000 hits. I guess we are going higher then?

As a follow up to my comment last week about paying too much attention to Washington goings-on, I googled the last three Presidents with their name and the word "turmoil". Bush got 641,000 hits, Obama got 642,000 and Trump got 12,000,000. In two months. No wonder we're focusing on it.

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Key Economic Releases for the coming week:

Monday, April 3rd:

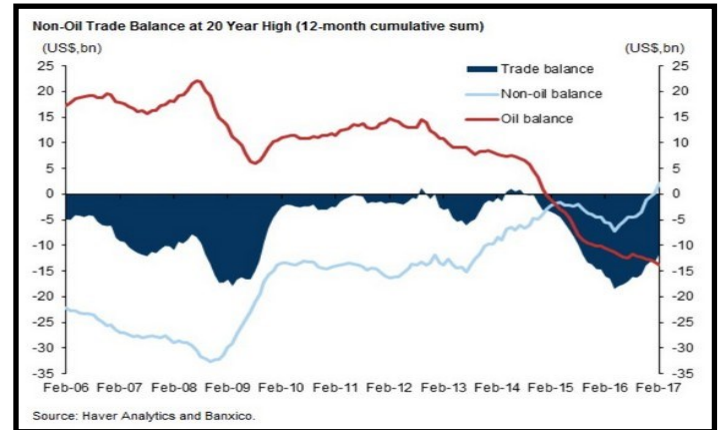
- ◆ ISM Index; 57.7 expected

Wednesday, April 5th:

- ◆ ISM Services Index; 57.6 expected

Friday, April 7th:

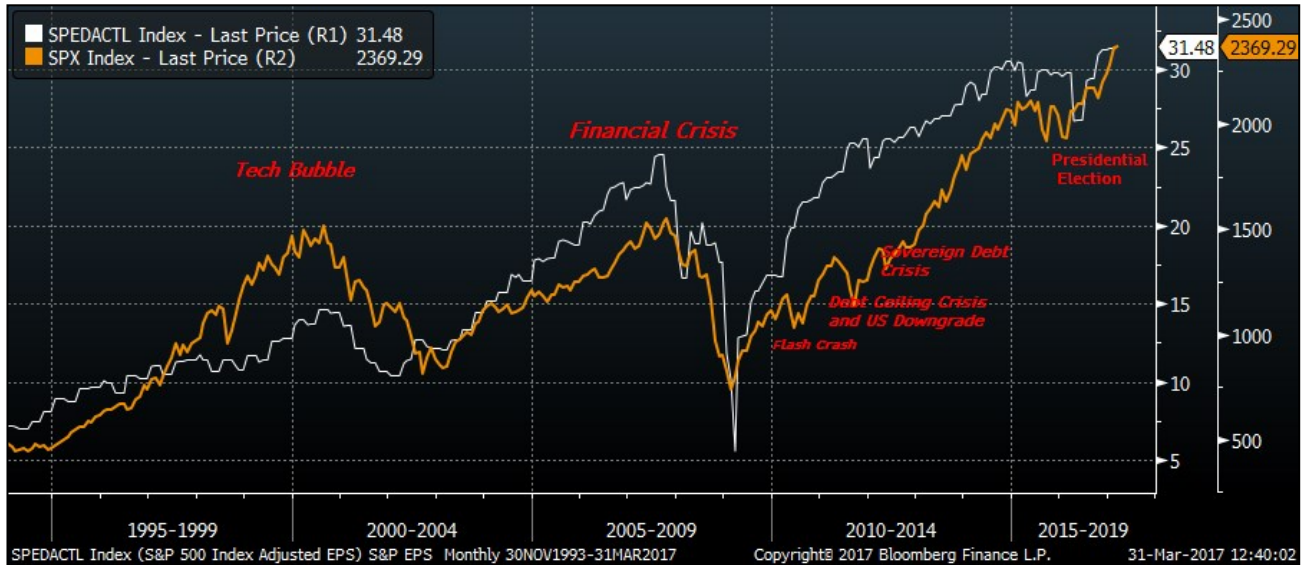
- ◆ Unemployment; 4.7% expected
- ◆ Nonfarm Payrolls; 235M expected



Index & Price Changes for week ending 3/31/17

DJIA- 20,663.22	Rose 66.50 points
NASDAQ- 5911.74	Rose 83.00 points
S&P 500- 2362.72	Rose 18.70 points
S&P Small Cap 600- 844.17	Rose 18.59 points
90 Day T Bill- 0.76%	Yield was unchanged
2 yr TSY- 1.25%	Yield was unchanged
5 yr TSY- 1.93%	Yield was unchanged
10 yr TSY- 2.40%	Yield was unchanged
30 yr TSY- 3.01%	Yield Rose .02%
Oil- \$ 50.56*	Rose \$2.51 per barrel
Gold- \$ 1251.00*	Fell \$.70 per oz.
Unleaded Gasoline*-\$.1.69	Rose \$.08 per gallon
Euro- \$ 1.0806	Rose .0201 against the \$

* Wholesale price for NY Mercantile Exchange traded contract

What Is driving the Market: Trump, the Fed or Corporate Profits?

We have talked about the correlation between the markets as measured by the S&P 500 and U.S. corporate profits in the past. Over time, as this chart shows, the market generally follows the fortunes of corporate America.

Corporate profits tumbled in 2015 marking the first decline since the 2008/2009 recession. Companies were challenged by a weak global economy and a strong dollar. Key industries such as energy and agriculture took severe hits during the broad decline of commodity prices. Notice how the market struggled during the latter half of 2015 through the first half of 2016.

Profits improved markedly in the second half of 2016, propelling a dramatic turnaround for the year increasing 4.3% and are expected to continue firming throughout 2017. The market has responded by moving higher as it tracks these underlying fundamentals.

Is the market over valued? Overall U.S. economic growth in the 4th quarter was revised up from earlier estimates to an annual rate of 2.1%. Corporate earnings are anticipated to increase further as the potential of tax cuts and deregulation fill the airways. Our global trading partner's economic conditions are stabilizing and even showing signs of.....growth??

Barring a "shock" to the U.S. economy, which of course we cannot see, could it be that the same pattern as represented in this chart continues? We are optimistic over the long term that it does. Short term swings are another matter and best left up to the talking heads on CNBC. Stay tuned.

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