Stonebridge Market Wrap

STONEBRIDGE Capital Advisors

April 7, 2017

For the week ending April 7, 2017 Another week of momentous news flow has passed and the market took it in stride, finishing mostly flat. 100 years to the day after the U.S. entered World War 1 or the "war to end all wars", we lobbed 59 cruise missiles at Syria and nothing happened. Oh there was the expected protests from Syria, Russia and Iran, but otherwise the "world community" approved. Worldwide markets were calm, interest rates moved little and oil slightly higher. Gold edged up a whole $2.00 on the news. We had further developments in the "wiretap story" regarding former NSA Director Susan Rice admitting that she unmasked the identities of Trump associates surveilled during the transition - and the markets yawned. The Senate eliminated the filibuster for all court nominations and the markets shrugged. The only "pearl clutching" moment of the week came on Wednesday when the minutes of the last Fed meeting were released, and, I hope you are sitting down, related that some members thought the stock market valuations were high. That was enough to turn a 175 point up day into a 40 point decline. Another surprising announcement was that the health care act that was withdrawn is still being worked on and may see another vote attempt.

Next week we begin to see first quarter earnings reports, with the important JP Morgan and Wells Fargo numbers on Thursday. We have a few economic releases as well. Hopefully they will be better than Friday's stinket of a jobs report of 98,000 new jobs. Hint: a.) it was heavily impacted by weather and b.) next month will probably pick up the slack. We will see about that next month...

Dave Eckenrode
Director of Equity Management

Key Economic Releases for the coming week:

Thursday, April 13th

- PPI; .2% expected
- Core PPI; .2% expected

Friday, April 14th:

- CPI; .1% expected
- Core CPI; .2% expected
- Retail Sales; .3% expected

Index & Price Changes for week ending 4/7/17	
DJIA– 20,656.10	Fell 7.12 points
NASDAQ– 5877.81	Fell 33.93 points
S&P 500– 2355.54	Fell 7.18 points
S&P Small Cap 600– 827.49	Fell 16.68 points
90 Day T Bill– 0.81%	Yield Rose .05%
2 yr TSY– 1.28%	Yield Rose .03%
5 yr TSY– 1.91%	Yield Fell .02%
10 yr TSY– 2.38%	Yield Fell .02%
30 yr TSY– 3.00%	Yield Fell .01%
Oil- $ 52.20*	Rose $1.64 per barrel
Gold- $ 1257.30*	Rose $6.30 per oz.
Unleaded Gasoline*-$1.75	Rose $.06 per gallon
Euro- $ 1.0591	Fell .0215 against the $

* Wholesale price for NY Mercantile Exchange traded contract

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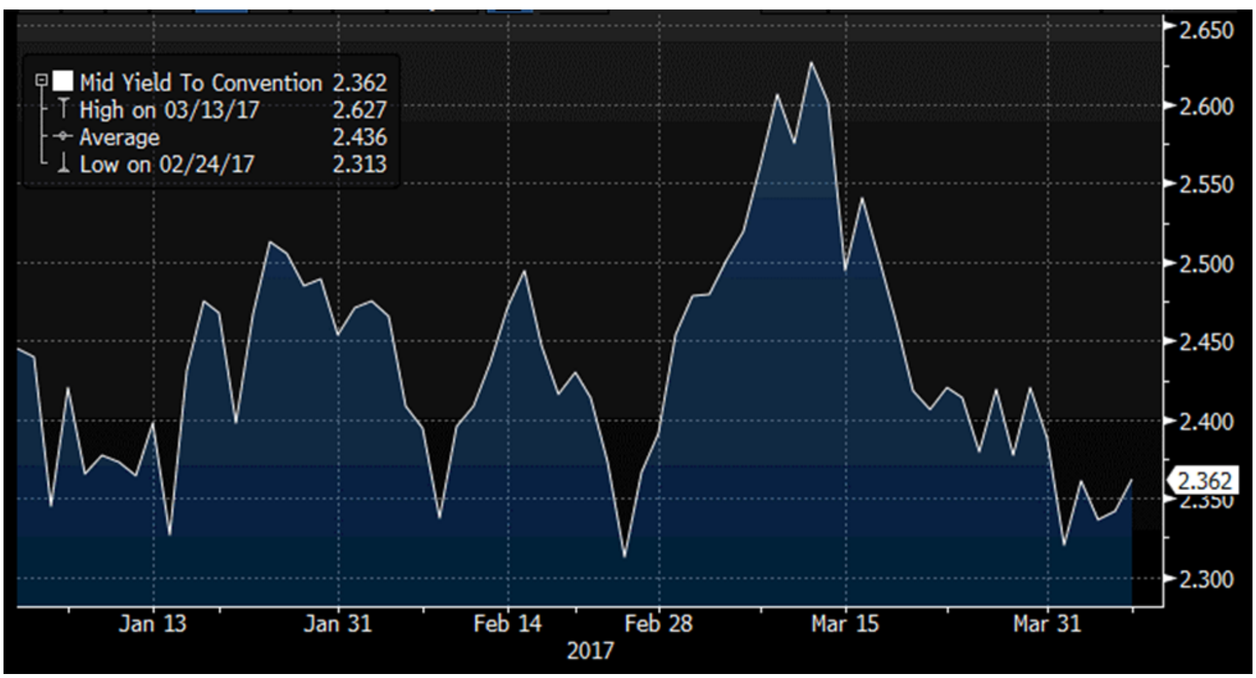
First Quarter Bond Market Review:

The first quarter of 2017 saw a fair amount of volatility in the bond market, but yields are relatively close to where they were when it started. The 10 year treasury yielded 2.44% to start the quarter and finished the quarter at 2.39%. This followed a large spike in yields after the election to end 2016 and included a bump in rates from the Federal Reserve of 25 bps. Yields have continued to stay lower after the Reserve announced their rate hike and the intention for more rate hikes in the future. One area where we have seen some changes is in the Municipal Bond market. As 10 year treasury yields have come up after the election, muni bond yields have been a little slower to move. This isn't that uncommon, as the muni market tends to react slower to market news as compared to treasury bonds. While muni bonds are still relatively attractive, we are no longer getting the spread to treasury that we once were. Over the past couple years we have consistently been buying muni bonds at 100% of treasury yields or better. Stated another way, we have been buying tax exempt bonds at higher yields than low risk taxable government bonds. Historically if the spread to treasuries is 80% or better, muni bonds are considered to be attractive. In the current environment, we have been seeing spreads at 85-95% of treasuries. Again, this is still relatively attractive but lower than we have been seeing. As we start the 2nd quarter, we will continue to look for value in both taxable and tax-exempt securities while trying to take advantage of any shifts in the market.



Source: Bloomberg

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