

**For the week ending April 14, 2017** Earnings season kicked off this week. The first notables to report were Citigroup, JP Morgan and Wells Fargo. Citigroup and JP Morgan had very good reports, but Wells Fargo showed some weakness due to their recent account openings scandal. The coming week is thick with reports, the results of which will determine the market direction for the remainder of the second quarter.

The first quarter ended with the major indices showing outstanding gains. The S&P was up 6.06%, which is the strongest quarter since Q4 2015. Will this momentum carry on? As I have been saying, we are overdue for a correction greater than the 2-3%'ers that we have been seeing.

The market seemed to mark time this holiday shortened week until Thursday when it was announced that we dropped a MOAB on Afghanistan and this, coupled with the saber rattling surrounding the North Korea situation, gave traders the opportunity to trim positions ahead of the week end. As of this writing on Friday, we do not know if Kim Jong Un is going to detonate another nuke on Saturday in honor of his grandfather's birthday (Kim Il Sung). Just in case, we have the Carl Vinson battle group standing by.



**Dave Eckenrode**  
Director of Equity Management

### Key Economic Releases for the coming week:

#### Tuesday, April 18th

- ◆ Housing Starts; 1.245MM expected
- ◆ Industrial Production; .7% expected
- ◆ Capacity Utilization; 76.3% expected

#### Thursday, April 20th:

- ◆ Leading Economic Indicators; .2% expected

#### Index & Price Changes for week ending 4/14/17

<b>DJIA</b> – 20,453.25	Fell <b>202.85</b> points
<b>NASDAQ</b> – 5805.15	Fell <b>72.66</b> points
<b>S&amp;P 500</b> – 2328.95	Fell <b>26.59</b> points
<b>S&amp;P Small Cap 600</b> – 815.62	Fell <b>11.87</b> points
<b>90 Day T Bill</b> – 0.80%	Yield Fell <b>.1%</b>
<b>2 yr TSY</b> – 1.21%	Yield Fell <b>.07%</b>
<b>5 yr TSY</b> – 1.77%	Yield Fell <b>.14%</b>
<b>10 yr TSY</b> – 2.24%	Yield Fell <b>.14%</b>
<b>30 yr TSY</b> – 2.89%	Yield Fell <b>.11%</b>
<b>Oil</b> - \$ 53.18*	Rose <b>\$.98</b> per barrel
<b>Gold</b> - \$ 1288.50*	Rose <b>\$31.20</b> per oz.
<b>Unleaded Gasoline*</b> -\$1.73	Fell <b>\$.02</b> per gallon
<b>Euro</b> - \$ 1.0627	Rose <b>.0036</b> against the \$

\* Wholesale price for NY Mercantile Exchange traded contract

**Key 2017 Economic Themes****Expected US GDP Growth:** 1.5% - 2.5% average for the year

- ◆ Faster growth in the first half but slowing in the second half of the year

**Inflation:** 2% - 2.5% for both Consumer Price Index (CPI) and Core CPI

- ◆ We expect the Federal Reserve to push the federal funds rate to 2% by year end

**Interest Rates:** 10-Year U. S. Treasury rate remaining relatively stable, 2.50% - 3% range

- ◆ Short-term rates to rise higher than most expect, causing a flattening of the yield curve
- ◆ Long rates relatively stable but moderately higher by year-end

**Employment:** 1.2 million new payroll jobs

- ◆ Unemployment, currently at 4.7%, will continue to drift lower
- ◆ Wages – continuing upward pressure

**U.S. Dollar:** Potential for volatility but on average little change for the year**Global Trading Partners:** Growth outlook stabilizing

- ◆ Relaxed monetary policies continue
- ◆ Additional stimulus needed through fiscal policies and structural reforms

**Investment Strategy****Current Economic Expansion:** Expansion, now in its eighth year, is on track to be one of the longest on record, albeit one of the slowest**Inflation:** Continuing to push above the Federal Reserve's target of 2%**Federal Reserve:** Expected to hike short-term interest rates higher than consensus**Equities:**

- ◆ We are cautiously optimistic on stocks and believe the environment ahead will be much more favorable toward stock pickers rather than passive index investors
- ◆ We believe this is an opportunity to re-evaluate investor objectives and risk tolerances

**Bonds:**

- ◆ Begin to opportunistically take advantage of higher yields
- ◆ Improve portfolio yield by gradually increasing maturity structures

**The Stonebridge Team**