

For the week ending April 21, 2017: Another week goes by and the market is still trading in a very narrow range. We are just below the 50 day moving average as we digest the earnings reports coming in. The reports, so far, are fairly good. We have had a few misses such as IBM, but many of the companies we own are beating estimates.

Meanwhile...there may be another election meltdown dead ahead on Sunday. France is having a first stage (assuming none reach 50% of the vote) election to choose a new President. The front runner, Marine Le Pen is, shall we say, right of center and a eurosceptic. The other front runners are Jean-Luc Melenchon, also a eurosceptic and an outright communist and Francois Fillon and Emmanuel Macron, who are more centrist. The terror attack on Thursday would seem to favor LePen who is also against mass immigration and is more in the mold of the Brexit and Trump. Whatever happens there may cause a major shake up in France. Of course, France has had socialist presidents before, such as the current Francois Hollande, but never a communist or a National Front right winger like Le Pen. This bears watching. By the way, if no one gets to 50%, the runoff between the top two is May 7. (As of today, Macron and LePen will face off on election day)

And then, as if we needed something else to give us the vapors, we have a possible, potential nuke test/missile launch from Kim Jong Un to think about. Stay tuned...



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Key Economic Releases for the coming week:

Tuesday, April 25th

- ◆ Consumer Confidence; 122.0 expected

Thursday, April 27th:

- ◆ Durable Goods Orders; 1.2% expected

Friday, April 14th:

- ◆ 1Q GDP; 1.1% expected

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

DJIA- 20,547.76	Rose 94.51 points
NASDAQ- 5910.52	Rose 105.37 points
S&P 500- 2348.69	Rose 19.74 points
S&P Small Cap 600- 839.36	Rose 23.74 points
90 Day T Bill- 0.78%	Yield Fell .02%
2 yr TSY- 1.18%	Yield Fell .03%
5 yr TSY- 1.76%	Yield Fell .01%
10 yr TSY- 2.23%	Yield Fell .01%
30 yr TSY- 2.89%	Yield Was unchanged
Oil- \$ 53.18*	Fell \$3.70 per barrel
Gold- \$ 1288.50*	Fell \$1.10 per oz.
Unleaded Gasoline*- \$1.64	Fell \$.09 per gallon
Euro- \$ 1.0627	Rose .0069 against the \$

* Wholesale price for NY Mercantile Exchange traded contract

When Falling Yields Still Look Attractive

Bloomberg News noted this week that the 10-year municipal bond yield has held steady or fallen every day since March 14th. As of the end of the week, it stands at 2.25, down about a quarter percent in a little more than a month. Compare that with the 10-year Treasury at 2.23%. You are earning just as much on the strongest AAA rated municipal credits as you are on Government bonds and that is before factoring in the value of the tax-exemption. It would seem the market is becoming less convinced that tax reform and lower income tax rates can become a reality with the current state of affairs in Congress. Helping to bring yields down has been the near record new money inflows into tax-exempt mutual funds. New cash has to be put to work and a lot of it pushes bond prices higher. As we typically see when yields move lower quickly, issuers rush in to take advantage of cheaper borrowing costs and boost the amount of new offerings. The increased supply we are seeing on the calendar should have a moderating effect on further moves, but all things considered, muni's still look quite attractive compared to other fixed income vehicles from an overall yield standpoint.

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