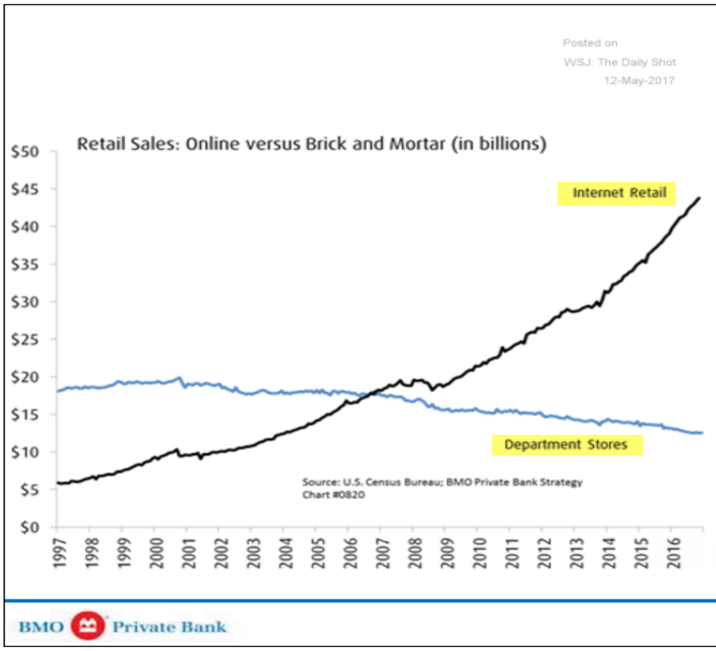
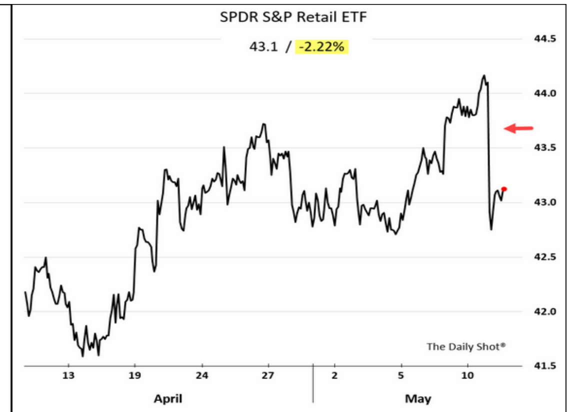
STONEBRIDGE Capital Advisors

Stonebridge Market Wrap

May 12, 2017

For the week ending May 12, 2017 A quiet week masked what was a beat down of the retail sector when Macy's reported a bad quarter, as the charts below show. It did not seem to matter if you





reported a light quarter (KSS, M), a good quarter (JPC JWN) or have not even reported yet (TJX, GPS, LB), it was off to the woodshed. We have all seen the impact of AMZN and internet retailing in general and no doubt are participating in this secular change. Yes, we have too many stores and some are closing. Retail layoffs continue apace. Malls are seeing disappointing traffic amid a general malaise in spending overall. That said, some of these companies are trading like they are all going out of business, which they are not. The missing element in this analysis? Great companies *are great because they adapt to changing conditions*. Keep this in mind. Big divergences like this come up every once and awhile. Usually it pays in the long term to pick through the rubble for a bargain or two. If you own something that you think is a good company in good financial shape, consider purchasing more. It may not payoff in the next month but possibly in the next year. Remember, when oil stocks cratered in late summer of 2015 and again in early 2016? The big oil companies didn't go out of business when the price of oil fell from $125 a barrel to $30...the big retailers will not fail now either.

Dave Eckenrode
Director of Equity Management

2550 University Avenue West, Suite 180 South, St. Paul, MN 55114 Fax: 651-251-1010 Phone: 651-251-1000
830 East Front Street, Suite 300 Traverse City, MI 49686 Fax: 231-933-0628 Phone: 231-933-0320
www.stonebridgecap.com Toll-free: 800-317-1127

For the week ending May 12, 2017

Index & Price Changes for week ending 5/12/17	
DJIA– 20,896.61	Fell 110.15 points
NASDAQ– 6121.23	Rose 20.47 points
S&P 500– 2390.90	Fell 8.39 points
S&P Small Cap 600– 838.54	Fell 10.42 points
90 Day T Bill– 0.87%	Yield Fell .01%
2 yr TSY– 1.29%	Yield Fell .02%
5 yr TSY– 1.85%	Yield Fell .03%
10 yr TSY– 2.33%	Yield Fell .06%
30 yr TSY– 2.99%	Yield was unchanged
Oil- $ 77.70*	Rose $1.53 per barrel
Gold- $ 1228.00*	Rose $.10 per oz.
Unleaded Gasoline*-$1.57	Rose $.07 per gallon
Euro- $ 1.0987	Fell .0065 against the $

* Wholesale price for NY Mercantile Exchange traded contract

Key Economic Releases for the coming week:

Tuesday, May 16th:

- Housing Starts; 1.215MM expected
- Capacity Utilization; 76.1% expected
- Industrial Production; .5% expected

Thursday, May 18th:

- Leading Economic Indicators; .4% expected

2550 University Avenue West, Suite 180 South, St. Paul, MN 55114 Fax: 651-251-1010 Phone: 651-251-1000
830 East Front Street, Suite 300 Traverse City, MI 49686 Fax: 231-933-0628 Phone: 231-933-0320
www.stonebridgecap.com Toll-free: 800-317-1127

Why Is Diversification So Important?

Many clients have inquired over the years why an allocation to fixed income would make sense if the investor is in the early stages of their career. A proper portfolio allocation structured among equities, fixed income, and cash will create a balanced investment that will perform well over many market cycles. True, this balance will change to become more conservative as we age and our risk tolerance declines. It is common in our younger years to think only of growth and wanting to invest exclusively in the equity market. That is why it is always important to create a financial plan that includes your investment goals, risk tolerance and time horizon. The biggest benefit to adding fixed income to your portfolio at any age is that bonds offer a buffer to the volatility of the equity market, which provides stability to the total returns in the portfolio over a longer time frame. A fixed income allocation can also add a steady income stream as well as stated maturity dates to assist in future cash planning.

Once the financial plan and asset allocation decision is made, it is important to diversify within those asset classes. It is easy to believe that if a portfolio is invested in many individual stocks and bonds, it is properly diversified. Within the equity market it is very important to diversify across sectors of the economy. As the old saying goes, do not put all of your eggs in one basket. For example, in the year 2000, the “hot” sector was technology. Many investors were putting large portions of their portfolios in technology stocks and when the “dot.com” bubble burst, the investors that did not spread their investments over many sectors experienced larger losses in market value. Individual bonds should also be diversified across sectors, but can also be spread among states and maturity dates to add even more stability to a portfolio. Various sectors perform differently in each market cycle and by structuring a portfolio among different industries one can reduce the overall risk in a portfolio.

Our investment philosophy at Stonebridge has always been “Consistent superior risk-adjusted performance is achieved through a customized, well-diversified portfolio built by solid fundamental analysis and strategic portfolio construction”.

Heidi L. Hukriede, CFA
Founder & Portfolio Manager

2550 University Avenue West, Suite 180 South, St. Paul, MN 55114
830 East Front Street, Suite 300 Traverse City, MI 49686
www.stonebridgecap.com

Fax: 651-251-1010 Phone: 651-251-1000
Fax: 231-933-0628 Phone: 231-933-0320
Toll-free: 800-317-1127