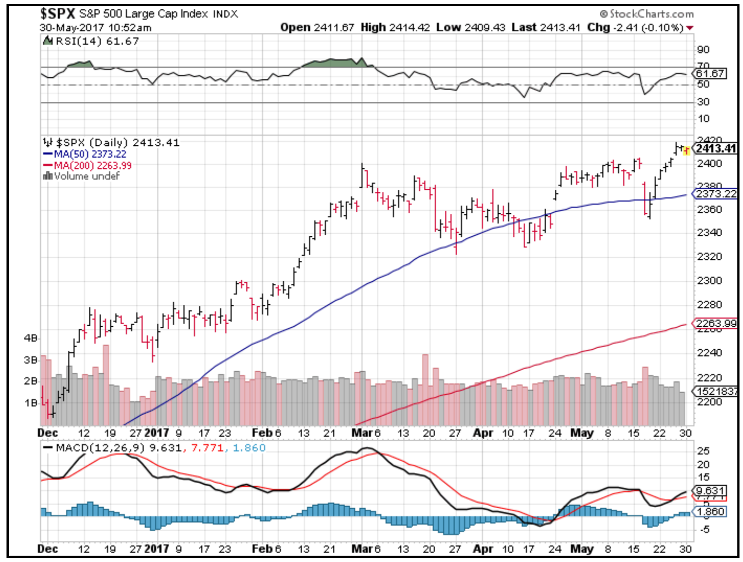
STONEBRIDGE
Capital Advisors

Stonebridge Market Wrap

May 26, 2017

For the week ending May 26, 2017



We go from a seven or eight day losing streak right into a seven day winning streak. If you can ignore this day to day movement and focus on the bigger picture, you would see that the S&P 500 is up 7.91% (Not Including Dividends) year to date. When we hear that old saying "sell in May and go away", we often think it is some kind of rule for trading the market. If you had sold at the beginning of May, you would have lost out on a 1.19% gain so far—And this happened with the most bizarre political background ever. The "solons" on the TV tell us that the health care bill is dead, that there will be no tax bill this year and that the budget will end up killing people… The market went up anyway.

None of this is meant to suggest that the market cannot go down, as we all know it will from time to time. A larger market move is usually indicated by a change in the direction of the economy or at least the widespread belief that it is changing for the worse. From what we know right now, the second quarter is likely to be stronger than the first quarter, perhaps a lot stronger.

This week we will get a look at May ISM and the employment report. Otherwise, we are in a news desert for the week.

Dave Eckenrode
Director of Equity Management

Key Economic Releases for the coming week:

Tuesday, May 30th:

- Consumer Confidence.; 119.5 expected

Thursday, June 1st:

- ISM Index; 54.6 expected

Friday, June 2nd:

- Unemployment; 4.5% expected
- Nonfarm Payrolls; 183M expected

Index & Price Changes for week ending 5/26/17	
DJIA– 21,080.28	Rose 275.44 points
NASDAQ– 6210.19	Rose 126.49 points
S&P 500– 2415.82	Rose 34.09 points
S&P Small Cap 600– 837.50	Rose 9.38 points
90 Day T Bill– 0.92%	Yield Rose .01%
2 yr TSY– 1.29%	Yield Rose .02%
5 yr TSY– 1.75%	Yield Fell .04%
10 yr TSY– 2.38%	Yield Rose .13%
30 yr TSY– 2.91%	Yield Rose .01%
Oil- $ 49.33*	Fell $1.05 per barrel
Gold- $ 1262.50*	Rose $10.80 per oz.
Unleaded Gasoline*-$1.63	Rose $.06 per gallon
Euro- $ 1.1163	Rose $.0029 against the $

* Wholesale price for NY Mercantile Exchange traded contract

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Growth versus Value

The U.S. stock market is off to a very good start in 2017 with the S&P 500 up 8.8% (Including Dividends) through last Friday, May 26th. When you take time to dissect what is going on, performance is even better for Growth Stocks with the Russell 1000 Growth Index up 14.2% and the Nasdaq 100 Index up 19.4%. This strong performance is being driven by the “FANG” stocks: Facebook +32.2%, Amazon +32.8%, Netflix +31.2% and Google (Alphabet) + 25.8%. These four companies are the definite leaders but there are other strong performers as well. The one thing all the best performers have in common is that they are perceived as fast growers. Slower growing securities, or Value Stocks, have been left in the dust in the first 5 months of 2017 with the Russel 1000 Value Index up a mere 3.4%.

The relative performance of Growth versus Value has swung dramatically over the past 3 years. In 2015, Growth outperformed Value by 9.5% - only to underperform by 10.3% in 2016. The strong relative outperformance year to date of 10.8% is impressive, but not unheard of. We have been through cycles like this before. In 1998 and 1999, growth stocks outperformed value stocks by 23.04% and 25.66%, respectively, only to underperform the following three years by 29.76%, 14.83% and 12.34%.

When you look back at the history of the stock market and economic cycles, many times near the end of the expansion, market leadership tends to narrow. The U.S. economy is currently nine years into an economic expansion, leadership is narrowing, and while current returns are impressive and tempting to chase, now is not the time to become more aggressive. We continue to believe that this bull market can continue a bit longer but we are closer to the end of this expansion than we are to the beginning.

The key to successful long term investing is to create your investment objectives and stick to them for the long term. Switching strategies because you feel like you are missing out on a short term market cycle can be detrimental to your long tem goals.

John K. Schonberg, CFA
Portfolio Manager & Principal