STONEBRIDGE Capital Advisors

# Stonebridge Market Wrap

*June 30, 2017*

**For the week ending June 30, 2017**

Thanks, Janet. On Tuesday, Janet Yellen, Chair of the Fed, told our friends in the UK that another financial crisis like the one in 2008 was not likely "in our lifetime". I wonder what the time reference was. She is 70 but some of the people at the conference had to be in their 30's. Her lifetime is about 16 years and the youngsters at the conference would be at least 50 years. Even 16 years would be ok, but 50? From her lips to God's ears.

The second quarter expired on Friday and it was another positive return for the S&P. That's seven in a row, folks. The last time we had a streak like this was 2013 through the first quarter of 2015 when we had nine straight. Bet you forgot that all four quarters were positive in that crazy 2016. Another item of note. As you may have noticed, the stock market has been in the habit of making new highs both last year and this year. So far, 2017 has recorded 22 new closing highs in the Dow. So, how does 2017 stack up? We are only half way through the year but here are a few targets: 1995- there were 69 new highs, 1925- there were 65 and 1962- 62 new highs. A good start but we have work to do.

As the second quarter wound down, there was selling pressure in the NASDAQ most particularly in the red hot FANG stocks (Facebook, Apple, Netflix and Google). Whether this is just a momentary thing or a real lasting rotation remains to be seen. There is a good chance that some big players were booking profits for the quarter and will come back to these names because they have real growth in a market that doesn't have a ton of growth names to add to portfolios.

**David A. Eckenrode**
**Director of Equity Management**

## Key Economic Releases for the coming week:

**Monday, July 3rd:**

- ISM Index; 55.0 expected

**Thursday, July 6th:**

- ISM Services Index; 56.6 expected

**Friday, July 7th:**

- Unemployment; 4.3% expected
- Nonfarm Payrolls; 183M expected

| Index & Price Changes for week ending 6/30/17 | |
|---|---|
| **DJIA–** 21,349.63 | Fell 45.13 points |
| **NASDAQ–** 6265.25 | Fell 124.83 points |
| **S&P 500–** 2423.41 | Fell 14.89 points |
| **S&P Small Cap 600–** 855.85 | Rose 2.68 points |
| **90 Day T Bill–** 1.01% | Yield Rose .05% |
| **2 yr TSY–** 1.37% | Yield Rose .03% |
| **5 yr TSY–** 1.86% | Yield Rose .10% |
| **10 yr TSY–** 2.28% | Yield Rose 13% |
| **30 yr TSY–** 2.83% | Yield Rose .11% |
| **Oil- $** 46.12* | Rose $3.14 per barrel |
| **Gold-** $ 1242.20* | Fell $14.60 per oz. |
| **Unleaded Gasoline*-**$1.51 | Rose $.08 per gallon |
| **Euro- $** 1.1420 | Rose $.0225 against the $ |

* Wholesale price for NY Mercantile Exchange traded contract

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

**When a Maturity Specific ETF May Be Appropriate for Fixed Income Accounts:**

Just like in the equity world, fixed income investors have a choice to make in regards to buying individual securities vs. an ETF (Exchange Traded Fund). The size of the portfolio is the biggest factor in determining if an ETF is the best fit. We recommend using ETFs in accounts that are $500,000 and under. An ETF is similar to a mutual fund, but is traded on the NYSE. At Stonebridge, we prefer to use maturity specific ETFs because they most closely mimic what we do with individual bonds. Let's look at some of the determining factors on when an ETF may be a good fit in client accounts.

**<u>When a maturity specific ETF may be appropriate:</u>**

- When diversification is hard to obtain
    - ◊ Due to the minimum investments on individual bonds, it can be hard to get appropriate diversification on smaller accounts. In order to protect client's assets, a diverse portfolio is important. ETF's allow the client to get a broad range of securities from different sectors and issuers.
- When more consistent income flows are needed
    - ◊ While a portfolio manager can create a portfolio of individual bonds where income generated is consistent from month to month, ETFs by nature have a smoother payout. They provide income payments that are relatively close from one month to the next.
- When liquidity is needed in smaller accounts
    - ◊ ETFs tend to be very liquid assets. This really comes into play when an account is smaller. When trading individual bonds, the smaller the block size, the lower the bid will be (all things being equal). This is less of an issue with ETFs because on any given day there will be other investors looking to sell, thus the ETF is able to sell large block sizes. This should result in better pricing.

ETFs are a big part of our Separately Managed Portfolio strategy, specifically designed for accounts that are $50,000 and up. If you have any questions on how this strategy may work for you, please contact us for further discussion.

**Scott M. Shinnick**
**Fixed Income Trader & Portfolio Manager**

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