STONEBRIDGE Capital Advisors

Stonebridge Market Wrap

September 8, 2017

For the week ending September 8, 2017

Strange week. Just after taking in the destruction of Hurricane Harvey, we got to hear of the impending destruction of Hurricane Irma. As of this writing on Friday, it appears to be a direct hit on South Florida with Miami in the worst part of the storm. By Monday we will know a lot more but if the forecasters are right, the storm may still be a hurricane in Northern Florida by then. There is little I can add to the deluge of coverage already presented, not to mention the coming weekend. Good luck to all.

The markets took all of this in stride and managed a small loss. The budget deal between the President and Democrat leaders seemed to calm things a bit. Trump is a non-ideological deal maker so that's what he apparently did. There was renewed talk of work on a tax deal which also gave markets hope. So, as a result, we spend another week churning around the 22,000 level on the Dow and just below the 2,500 level on the S&P. Next week should be very interesting. There will, of course, be many estimates of the damage and the winners and losers that arise from the hurricane. The economy seems destined for a hit as productive assets are taken down and after a lag, will rebound as they are replaced.

Winners should be obvious; window and door makers, roofing and sheetrock, and so forth. Auto companies should see a boost as should reinsurance companies. Losers are homeowners and the many business owners that will have to rebuild. Insurance companies come to mind but here it is a bit more complicated. Yes, there are claims, but after that state insurance commissioners will allow rate increases.

What Irma and Harvey mean to the Texans and Floridians is a big mess. To the Caribbean islanders, Georgians and Carolinians as well.

David A. Eckenrode
Director of Equity Management

Key Economic Releases
for the coming week:

Wednesday, September 13th:
- PPI.; 3% expected
- Core PPI; .2% expected

Thursday, September 14th:
- CPI; .3% expected
- Core CPI; .2% expected

Friday, September 15th:
- Retail Sales; .1% expected
- Capacity Utilization; 76.8% expected
- Industrial Production; .2% expected

Index & Price Changes for week ending 9/08/17	
DJIA– 21,797.79	Fell 189.77 points
NASDAQ– 6435.33	Fell 75.14 points
S&P 500– 2461.43	Fell 15.12 points
S&P Small Cap 600– 838.92	Fell 8.13 points
90 Day T Bill– 1.04%	Yield Rose .03%
2 yr TSY– 1.27%	Yield Fell .07%
5 yr TSY– 1.65%	Yield Fell .08%
10 yr TSY– 2.06%	Yield Fell .10%
30 yr TSY– 2.69%	Yield Fell .08%
Oil- $ 47.29*	Rose $.25 per barrel
Gold- $ 1351.70*	Rose $21.60 per oz.
Unleaded Gasoline*-$1.65	Fell $.09 per gallon
Euro- $ 1.1.2036	Rose $.0172 against the $

** Wholesale price for NY Mercantile Exchange traded contract*

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It's Tough to Call the Top

The US Equity market continues to surprise investors with its ability to continue to move higher. The market as measured by the S&P 500 is up close to 10% and has not had any meaningful corrections greater than 5% in over 10 months. This is not surprising given the continued steady economic growth and good earnings. The US economy is eight and a half years into an economic expansion and many investors are wondering just how much longer the expansion and the bull market in stock prices can continue. No one really knows when the slowdown will happen and we will only be able to call the peak in the economy and stock prices after they have occurred.

At Stonebridge, we realize that eventually all good things must come to an end but it is important not to get too defensive too early. Over the years we have seen many successful money managers move out of the markets too early and miss out on some of the best returns. While it is prudent to always take some profits and to make sure your asset allocation has not moved too far from your objectives, it does not pay to try and call the top in the market until actual signs of a slowdown start to occur.

We are always looking for signs of trouble and there are some things that investors can point to as concerns including North Korea, the US Debt Ceiling, the impacts of recent weather events and others. At the same time, we have also been trying to figure out how the economy and markets in the U.S. can extend this growth for longer than people expect. One thing we have identified is a resumption in world-wide economic growth. Foreign markets around the world have started to show signs of life in 2017 and many of these markets have outperformed domestic markets. In many cases the economies these markets represent have bottomed and are starting to grow again. Should this continue and the world sees better growth out of China, India, and Europe the US economy will benefit and this economic expansion and corresponding rise in Equity prices may have further to go than most investors think.

John K. Schonberg
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