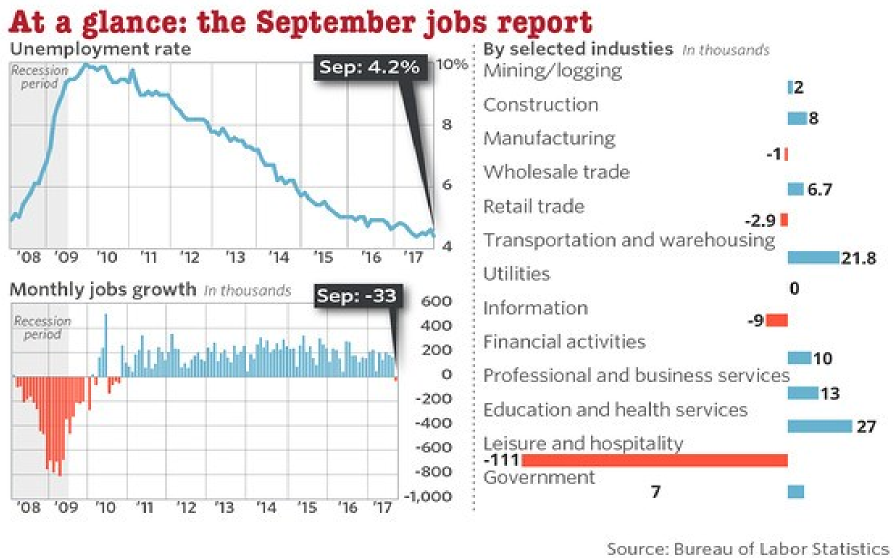
STONEBRIDGE Capital Advisors

Stonebridge Market Wrap

October 6, 2017

For the week ending October 6, 2017
Another great week for the market. Since last Friday, we have had two great ISM reports with the nonmanufacturing index at the highest since 2005 and the manufacturing index at the highest since 2004. Since investors like this sort of thing, they bought. Friday's jobs report was, to say it politely, disappointing. The expectation was way off and the twin hurricanes had an outsized impact, driving job growth negative for the first time in seven years.



Unsurprisingly, the biggest contributor to the decline was Leisure and Hospitality. Look for a snap back in the next few months. Another little factoid from the jobs report; there was an increase in full time employment of 935,000, the largest increase *this century*.

Just because, there is a tropical storm headed for New Orleans this weekend. Possibly a Hurricane (Nate) by landfall.

David A. Eckenrode
Director of Equity Management

Key Economic Releases for the coming week:

Thursday, October 12th:
- PPI.; .3% expected
- Core PPI; .1% expected

Friday, October 13th:
- CPI; .4% expected
- Core CPI; .3% expected
- Retail Sales; .4% expected

Index & Price Changes for week ending 10/06/17	
DJIA– 22,773.67	Rose 367.68 points
NASDAQ– 6590.18	Rose 94.22 points
S&P 500– 2549.33	Rose 29.97 points
S&P Small Cap 600– 915.10	Rose 11.12 points
90 Day T Bill– 1.06%	Yield Rose .02%
2 yr TSY– 1.51%	Yield Rose .04%
5 yr TSY– 1.97%	Yield Rose .05%
10 yr TSY– 2.37%	Yield Rose .05%
30 yr TSY– 2.91%	Yield Rose .06%
Oil- $ 49.41*	Fell $2.26 per barrel
Gold- $ 1275.50*	Fell $10.60 per oz.
Unleaded Gasoline*-$1.56	Fell $.05 per gallon
Euro- $ 1.1734	Fell $.008 against the $

** Wholesale price for NY Mercantile Exchange traded cont*

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Risk Tolerance in an Up Market

Hurricanes cut paths of destruction in Texas, Florida, Puerto Rico and the Caribbean Islands creating devastating losses.

- Another Senseless Mass Shooting
- Race, Human Rights and Justice Issues continue across the U.S.
- Healthcare, Tax Reform, Trump and Congress
- Stock Market Indexes March to all-time Highs

Of the headlines above, which one just doesn't seem to fit with the others? It's like one of those pattern recognition tests we took back in grade school – which one of the above does not belong? With all the tragic events that have taken place in the U.S. and abroad this year the stock market indexes continue to set record new highs.

The Dow Jones Industrial Average has set 45 new record highs in 2017 and 62 since the Presidential election in 2016! The Standard & Poor's 500 index has now set 43 new highs in 2017 and has been up (on a total return basis) 11 months in a row and 18 of the last 19 months. We have not experienced a "correction" of any significance for some time.

The bond market has been relatively stable this year in spite of the Fed raising interest rates and also announcing that it will be shrinking its balance sheet by $10 billion per month starting this last quarter of 2017, and increasing that by $10 billion each quarter until they are at a $50 billion per month run rate in Q4 of 2018. Healthy company profits continue to fuel tighter spreads on corporate credits.

One of the challenges we all face with high equity valuations and low interest rates - they generally lead to poorer future returns as compared to what we have enjoyed over this current business cycle.

Recently, John Schonberg wrote a Market Wrap article entitled "It's tough to call the Top" where he cautions not to try to call the top in the market until actual signs of an economic slowdown occurs. In addition, portfolio managers Heidi Hukriede and Scott Shinnick have written articles outlining the process we use at Stonebridge to oversee individual portfolios, the importance of re-balancing based on your investment objectives and the value of owning bonds – despite a low interest rate environment.

A review of your current asset allocations is important. Much has changed for all of us over the past 10 years, both individually and family wise. Review your investment objectives – have they changed? The market may continue higher but it is prudent to make sure your investment objectives and current allocations match your needs and risk tolerances today.

Ronald C. Hume
Partner & Portfolio Manager

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