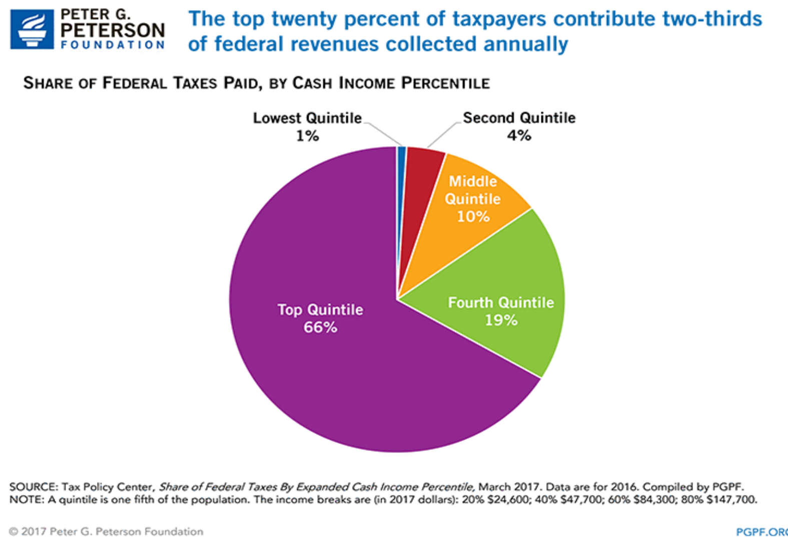
Stonebridge Market Wrap

October 20, 2017

For the week ending October 20, 2017

While nobody was paying attention the Senate passed a budget bill that appears to clear the way for a tax cut bill. The market fresh off a more than 100 point bounce back on Thursday, (wait for it) applauded by going up. Now we can brace ourselves for the inevitable blowback on "tax cuts for the rich" and "will hurt the middle class." To help in separating the wheat from the chaff, please take a gander at the two charts to the right.



The real issue for the markets is likely to be on the issue of corporate tax reform. It's not as political so we will not hear as much about it. The talk is that maybe the tax reform can be done this year. Sounds like a heavy lift to me but who among us hasn't been surprised by politics over the past year?

Another item of note: We eclipsed 23,000 on the Dow this week. As a refresher, we crossed 20,000 on 1/25, 21,000 on 3/1, 22,000 on 8/2 and 23,000 on 10/18. Care to bet where we end the year? Does 25,000 sound far fetched? I'm not sure it is at this point.

David A. Eckenrode
Director of Equity Management

Index & Price Changes for week ending 10/20/17	
DJIA– 23,328.63	Rose 456.91 points
NASDAQ– 6629.05	Rose 38.87 points
S&P 500– 2575.21	Rose 22.04 points
S&P Small Cap 600– 913.75	Rose 5.38 points
90 Day T Bill– 1.10%	Yield Rose .03%
2 yr TSY– 1.57%	Yield Rose .08%
5 yr TSY– 2.01%	Yield Rose .11%
10 yr TSY– 2.38%	Yield Rose .11%
30 yr TSY– 2.90%	Yield Rose .09%
Oil- $ 51.46*	Rose $2.05 per barrel
Gold- $ 1281.10*	Fell $22.90 per oz.
Unleaded Gasoline*-$1.66	Rose $.04 per gallon
Euro- $ 1.1786	Rose $.0052 against the $

** Wholesale price for NY Mercantile Exchange traded cont*

Key Economic Releases for the coming week:

Wednesday, October 25th:

- Durable Goods Orders.; 1.1% expected

Friday, October 27th:

- 3Q GDP ; 2.6% expected

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Staying Long Term Goal Oriented

As we approach the end of the year it is time to begin the process of reviewing investment goals. The stock market has provided another good year of returns and the equity market still seems strong. Some may be questioning whether or not their goals are appropriate. For a few investors this questions might lead to a decision they will regret later, chasing performance.

Chasing performance is not about passive versus active management, but more about making decision in your portfolio to take more risk at the wrong times. There is trouble with focusing on performance compared to markets, instead of returns compared to goals. First, almost all portfolios will have some amount of cash for future opportunities or protection for sudden market changes. Market returns, such as the S&P 500, does not take into account any cash or bond positions. The reason most investors have these positions is to lower there overall risk in case of a market correction. This bring us to our second problem with chasing performance, not considering your risk tolerance.

In a perfect world we would be able to predict the markets to know if we should be fully invested or not. Since you have about as good of a chance of finding a unicorn than being right on this prediction it is important to understand the risk you are willing to take. The memory of the last downturn still has investors jittery on having another big loss. Though the memory might be fading next downturn is certain to happen. Making an adjustment in order to reach for a return far greater than your goals could put your portfolio at risk during the next downturn, effectively making it even more difficult for you to reach your goals. Ultimately, when defining your goals you should think about what amount of reasonable risk you are willing to take over the long term.

If you focus on chasing the market you may be looking at returns that are very short sided. Only focusing on a year or less of returns, remember January and February of 2016? Probably not, but the S&P 500 corrected over 10% in a very short period, were you worried?

At Stonebridge we take pride in partnering with you in order to determine your long term goals and keep your portfolio focused on meeting those goals. Chasing the market is not looking at your portfolio with a long term lens.

When I first started my career a mentor had me write down a saying to remind me to stay focused on client goals. "You can make money in an up market, you can make money in down market but a sure -fire way to lose money is too be greedy in any market."

Derrick J. Watson
Regional Director