



For the week ending July 14, 2017

So as advertised, earnings season kicked off this week. The banks started it off pretty well with beats by the likes of JPM and Citigroup. While the loan picture and higher rates made for good earnings, the flat volatility environment caused a drop in trading earnings. Next week we will have a plethora of reports to sort out so as they say, stay tuned. On the other hand, we are not going to see much in the way of economic news so earning should dominate trading direction for the week.

As for the week just past, yawn. Another new high for the Dow and S&P 500, almost a new high for the NASDAQ, a new high for the S&P Small Cap and nearly a new high for the S&P Mid Cap 400, as well. Oh, and while we are at it, the Dow Transports set a new high, too. Seems like the only index left out of the party was the Dow Utilities. I guess we could use a designated driver.

Since we all could use a little levity, I thought the picture above could fit the bill. Get it? Anyway, the picture is from a joint Clinton-Bush speaking engagement at the Bush library. I thought Bill was taller... Bonus question. Can you name the other two father/son or grandfather/grandson Presidents?



David A. Eckenrode
Director of Equity Management

Key Economic Releases
for the coming week:

Wednesday, July 19th:

- ◆ Housing Starts; 1.18MM expected



Index & Price Changes for week ending 7/14/17

DJIA- 21,637.74	Rose 223.40 points
NASDAQ- 6312.47	Rose 159.39 points
S&P 500- 2459.27	Rose 34.09 points
S&P Small Cap 600- 863.54	Rose 8.81 points
90 Day T Bill- 1.03%	Yield was unchanged
2 yr TSY- 1.35%	Yield Fell .05%
5 yr TSY- 1.86%	Yield Fell .10%
10 yr TSY- 2.32%	Yield Fell .07%
30 yr TSY- 2.91%	Yield Fell .02%
Oil- \$ 46.57*	Rose \$2.33 per barrel
Gold- \$ 1227.60*	Fell \$14.60 per oz.
Unleaded Gasoline*- \$1.56	Rose \$.06 per gallon
Euro- \$ 1.1467	Rose \$.0063 against the \$

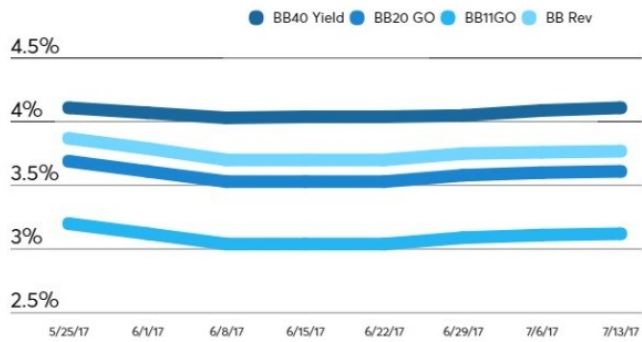
* Wholesale price for NY Mercantile Exchange traded contract



The Municipal Market: What We Have Been Buying This Week

As the graphic shows, over the last week or two, we have seen a softening of the market rally we had experienced heading into June. Rates are again moving higher, creating some renewed opportunities for income investors. As an example, in the secondary market this week we found a general obligation bond issued by Fosston, MN (A- rated) due in just under five years priced to yield 1.75% to the call in a year and a half. If the city does not call the bonds, the yield jumps to 2.55% to maturity.

Bond Buyer indexes
Yields over recent weeks



Source: The Bond Buyer

Another attractive, higher yielding bond offering in the secondary market this week was an 11-year Moorhead MN bond issued for a fully occupied senior living community. The bonds were not issued with a credit rating, however, the borrower’s projects are stabilized and have a long record of strong financial performance. The 4.75% coupon bond was priced to yield 3% to the call in four years. The yield increases to 4.15% to maturity if not called. The yield to call is almost three times as much as comparable duration benchmark triple-A’s! While not quite the historic “6%” yield some of us think of from the high-yield market, in this rate environment, that is a sparkler!

Jon F. Lynn
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