



Stonebridge Market Wrap

September 22, 2017

For the week ending September 22, 2017

Nine days in a row we were up in the markets and it came to an end on Thursday and Friday after the Fed indicated that they might, *might* raise rates again in December. Yes I'm aware that another hurricane (Maria) slapped the island of Puerto Rico and that is going to cost tens of billions as are Houston (Harvey) and most of Florida (Irma) and that L'il Kim is back on the threat game. Oddly, the markets have shrugged all of this strum and drag and marched higher every month since the election so why stop now? We are still weeks away from the start of earnings season and with the disruption that will

come from the hurricanes, the economic picture will be muddled for a bit. We are probably due for a bit of retrenchment in the markets so maybe we'll get a 3% pullback. We are in a business news desert right now until mid October. There's also that old adage about "sell Rosh Hashanah, buy Yom Kippur" we could follow. Thursday was Rosh Hashanah, Yom Kippur is September 29-30, FYI. Since 1971 this has yielded the following results: 20 up years to 26 down. Average loss is .6%. A loss of that magnitude would get us back to where we were a week ago.

David A. Eckenrode
Director of Equity Management

Key Economic Releases for the coming week:

Tuesday, September 26th:

- ◆ Consumer Confidence.; 120.0 expected

Wednesday, September 27th:

- ◆ Durable Goods Orders; .2% expected

Thursday, September 28th:

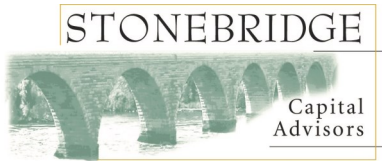
- ◆ 2Q GDP; 3.0% expected



Index & Price Changes for week ending 9/22/17

DJIA – 22,349.59	Rose 81.25 points
NASDAQ – 6448.47	Fell 21.55 points
S&P 500 – 2500.23	Rose 1.99 points
S&P Small Cap 600 – 874.87	Rose 19.12 points
90 Day T Bill – 1.02%	Yield Fell .01%
2 yr TSY – 1.44%	Yield Rose .06%
5 yr TSY – 1.87%	Yield Rose .07%
10 yr TSY – 2.26%	Yield Rose .06%
30 yr TSY – 2.79%	Yield Rose .02%
Oil - \$ 50.64*	Rose \$.66 per barrel
Gold - \$ 1299.70*	Fell \$24.90 per oz.
Unleaded Gasoline *- \$1.67	Rose \$.01 per gallon
Euro - \$ 1.1944	Rose \$.0002 against the \$

* Wholesale price for NY Mercantile Exchange traded cont



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A Market Conundrum? One Man's Opinion

According to the CAPE ratio (cyclically adjusted P/E ratio), the US stock market of today has historically only been this expensive just before the crash of 1929, the tech bubble of the late 90's, and the great financial crisis of 2008. Think of it as: corporate profits are always at their peak near an economic peak and why should the market pay peak multiples for peak profits? However, valuations alone never cause a significant market correction. What does trigger a market correction is dynamic changes in Global GDP, corporate profits and interest rates.

Investors have had the best of all investment environments since Q4 2016 (Goldilocks). This displayed by global GDP accelerating/corporate profit growth picking up and inflation slowing. As I see it we are moving into a less favorable but still constructive period with global GDP growth moderating against tougher base effects, moderating profit growth and inflation moderately accelerating. The problem with that investment environment is investors will have a harder time measuring and mapping the degree these key variables move directionally. How much will profits slow? How much will inflation increase? Eventually it's the degree of economic slowing and inflation accelerating that could turn a normal 5-10% correction into something more sinister. There are a number of global economic and geopolitical developments that could initiate such a correction but we will save them for another discussion.

We believe our edge is earned daily through the process of observing these measureable changes in reported data/valuation dynamics and investor sentiment. Discerning real signals from the everyday data versus daily market sentiment.

We believe that developing your specific investment objectives and sticking to them while tactically tuning your portfolio as market dynamics change is central to being a successful long term investor.

Steven B. Roorda
Senior Analyst & Portfolio Manager