

Stonebridge Market Wrap

November 3, 2017

For the week ending November 3, 2017

4.1% unemployment, 261,000 new jobs in October, new tax plan revealed, Apple knocks the earnings cover off the ball, Houston wins first World Series, Trump names new Fed Chair, markets make new highs. See how easy this is? I know I'm being flip but only to a point. The point of my opening sentence is that, when the news seems to be good and you have a wind at your back, you should go with it. It is folly to try and fade it by trying to call a top, yet we read opinion pieces every day putting forth the point that a market top is in sight. We will know when and where the top was formed after it has formed not before.

About the tax plan. This is a first salvo in a process that will play out until spring. The Senate has to do their bill, meet to reconcile the differences, and then we'll have the real bill. For now, we can refer to the "bill" as the "lobbyist enrichment bill". I like it; it has a certain Je ne sais quois, don't you think?

Now the market history nerds have us all ginned up with "November is almost never down" ruminations. This after treatinus in August with "September and October are the worst months for the market." Spoiler alert; September was up 1.93%, October was up 2.22% (S&P) and the Dow was even better, up 2.08% and 4.34%, respectively. See how easy this is? All you have to do is follow the best and worst months to invest wizards and... oh never mind. Let's get ready for a Santa Claus rally, shall we?

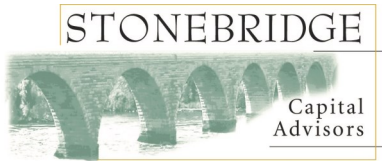
David A. Eckenrode
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Key Economic Releases for the coming week:

◆None expected this coming week

| Index & Price Changes for week ending 11/3/17 | |
|---|-----------------------------|
| DJIA- 23,519.19 | Rose 105.00 points |
| NASDAQ- 6764.44 | Rose 63.18 points |
| S&P 500- 2587.84 | Rose 6.78 points |
| S&P Small Cap 600- 900.88 | Fell 15.55 points |
| 90 Day T Bill- 1.17% | Yield Rose .08% |
| 2 yr TSY- 1.62% | Yield Rose .02% |
| 5 yr TSY- 2.00% | Yield Fell .04% |
| 10 yr TSY- 2.34% | Yield Fell .09% |
| 30 yr TSY- 2.82% | Yield Fell .08% |
| Oil- \$ 55.68* | Rose \$1.78 per barrel |
| Gold- \$ 1268.80* | Fell \$4.60 per oz. |
| Unleaded Gasoline*- \$1.80 | Rose \$.03 per gallon |
| Euro- \$ 1.1599 | Fell \$.0187 against the \$ |

* Wholesale price for NY Mercantile Exchange traded cont



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Stonebridge Quarterly Outlook

Key Economic Themes

Expected U.S. GDP Growth: Expect 2% average for the year

- GDP growth expected to continue at same 2% level as first half of the year
- Slowdown in Q3 due to natural disasters, recovering in Q4 2017 and Q1 2018

Inflation: 2% - 2.5%

- Overall Consumer Price Index (CPI) and Core CPI to rebound from first half low levels

Interest Rates: 10-Year U.S. Treasury moving higher by year end, target level 2.5%

- Short-term rates continue to move higher
- Long rates moderately high

Employment: Currently 4.2% rate, trending lower

- Wage growth expected to accelerate

Global Economics: Improving

- Relaxed monetary policies around the world may be coming to an end
- Fiscal and structural reform needed

Investment Strategy

Current Economic Expansion: Recoveries do not die of old age

- Expansion now in its ninth year, continues until “shocked”

Inflation: Expected to move towards 2% and above

Federal Reserve: One more rate hike in 2017, more to come in 2018

Equities:

- We believe it is a good time to re-evaluate investor objectives, risk tolerance and asset allocation
- Consider taking some risk off the table
- Moving towards stock picker’s market versus a passive index investor’s market going forward

Bonds:

- Use bond investments as a defensive component in client portfolios
- Keep maturity structure short to preserve principal and provide liquidity
- Monitor the yield curve for best opportunities, current 3-7 years most attractive