

Stonebridge Market Wrap

November 10, 2017

For the week ending November 10, 2017

This past Tuesday was the 100th anniversary of the beginning of the Russian Revolution. Seems the Russians themselves didn't think enough of the event to have a celebration. Wonder why. Seems the philosophy is alive and well on our college campuses. Oh well. Another anniversary that comes on the 11th is Armistice Day or Veterans Day here in the States. Originally set to honor the end of World War 1, in America it has changed to honor all of our veterans. So thank you veterans for your sacrifice.

Back here in the capital of capitalism, the markets took a bit of a breather. The big fainting spell came on Thursday when a story about a few aspects of the Senate tax reform bill became public. The market which seemed to be looking for an excuse to sell promptly dropped 250 points before rallying back to end the day down 100. Only days before we were told that there probably would be no Senate bill because of disagreements among Senate Republicans. Anyway, that bit of wisdom went down the memory hole when the bill magically appeared. Now it is on the conference committee who is tasked with the reconciliation of differences between the House bill and the Senate bill.

In other news, Las Vegas unveiled a self driving shuttle bus on the strip on Thursday. It had a crash in the first hour. This shuttle only goes 15 MPH. Ann Arbor is starting a pilot taxi project that can go 55 MPH. All Aboard?

David A. Eckenrode
Director of Equity Management

Key Economic Releases for the coming week:

Tuesday, November 14th:

- ◆ PPI; .1% expected
- ◆ Core PPI; .2% expected

Wednesday, November 15th:

- ◆ CPI; .1% expected
- ◆ Core CPI; .2% expected
- ◆ Retail Sales; .1% expected

Thursday, November 16th:

- ◆ Capacity Utilization; 76.3% expected
- ◆ Industrial Production; .5% expected

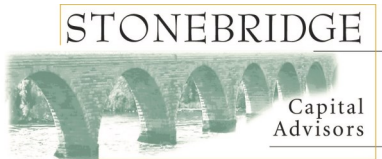
Friday, November 17th:

- ◆ Housing Starts; 1.18MM expected

Index & Price Changes for week ending 11/10/17

DJIA - 23,422.21	Fell 96.98 points
NASDAQ - 6750.94	Fell 13.50 points
S&P 500 - 2582.30	Fell 5.54 points
S&P Small Cap 600 - 893.77	Fell 7.11 points
90 Day T Bill - 1.22%	Yield Rose .05%
2 yr TSY - 1.65%	Yield Rose .03%
5 yr TSY - 2.05%	Yield Rose .05%
10 yr TSY - 2.40%	Yield Rose .06%
30 yr TSY - 2.88%	Yield Rose .06%
Oil - \$ 56.84*	Rose \$1.16 per barrel
Gold - \$ 1276.00*	Rose \$7.40 per oz.
Unleaded Gasoline -\$1.83*	Rose \$.03 per gallon
Euro - \$ 1.1661	Rose \$.0022 against the \$

* Wholesale price for NY Mercantile Exchange traded contract



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Bonds 101

A lot of the times we write articles making assumptions that people know exactly we are talking about. We bring up such concepts as yield, duration, bond structure and other things that are associated with a bond. We define these terms to help you understand how a bond works. What we sometimes forget is that not everybody actually understands what a bond really is. Understanding what a bond is and why they are issued can hopefully make some of the other concepts a little easier to understand.

What is a bond? According to Webster's Dictionary a bond is "an interest-bearing certificate of public or private indebtedness". Simply stated, a bond is a loan that investors give to either a corporation (corporate bond) or a municipality (municipal bond) in order for them to raise capital for projects or investment purposes. In exchange for this loan, the corporation or municipality will give you an interest payment (most commonly 2 times a year), based off of an interest rate that is agreed upon. This interest rate is determined by the length of the loan and the credit quality of the borrower. At the end of the loan (its maturity), the corporation/municipality will give you your final interest payment and your principal investment back (at par). It could be comparable to an interest only mortgage. The person agrees to pay the money back at a stated interest rate. At the end of the loan you pay back the money that was lend to you. If all things go as planned, the investor gets their money back with interest payments and the borrower used that money to build a house (i.e. capital) which they have been able to use.

There are other variables that go into bond investing, many of which we try and discuss in the Stonebridge Market Wrap. Hopefully this gives a little better understanding for people that were wondering what a bond was but didn't have the forum to ask.

Scott M. Shinnick
Fixed Income Trader & Portfolio Manager