STONEBRIDGE Capital Advisors

Stonebridge Market Wrap

November 17, 2017

For the week ending November 17, 2017

In the last week before Thanksgiving, the market got a bit bouncy. Down in the morning often followed by a reversal in the afternoon. In part, we were following European markets. Thursday saw a big up day that got us back to positive for the week. Friday was a downer for the Dow and S&P but the NASDAQ managed to eke out a gain for the week.

The big news of the week was the passage of the House Tax Reform bill. Now we await the Senate bill. This should come in a couple of weeks and then, if passed, the two bills go to a conference committee to blend them together. I have been struck by all of the commentary over who wins or loses with so much yet undecided.

One other observation: next Friday is the much ballyhooed Black Friday. With retail being in the dog house it will be interesting to see how this goes in light of changing buying habits. Expect maximum reporter bloviating. Ignore it, please.

Since I brought up Thanksgiving, a fun fact for our Vikings fans; Matthew Stafford quarterback for the Detroit Lions who is the opponent on turkey day, has a 5-43 record against teams with a winning record. And I say this as a lifelong Lions victim, er fan. Fun fact: 2017 is the 60th anniversary of the last Lions championship. Fun fact: the Lions track record on Thanksgiving is 36-38-2. I think we already reverted to the mean...Beat that, Minnesota!

David A. Eckenrode
Director of Equity Management

Key Economic Releases for the coming week:

Wednesday, November 22nd:

- Durable Goods; .5% expected

Index & Price Changes for week ending 11/17/17	
DJIA– 23,358.24	Fell 63.97 points
NASDAQ– 6782.79	Rose 31.85 points
S&P 500– 2578.85	Fell 3.45 points
S&P Small Cap 600– 908.91	Rose 15.14 points
90 Day T Bill– 1.27%	Yield Rose .05%
2 yr TSY– 1.72%	Yield Rose .07%
5 yr TSY– 2.06%	Yield Rose .01%
10 yr TSY– 2.35%	Yield Fell .05%
30 yr TSY– 2.79%	Yield Fell .09%
Oil- $ 56.84*	Fell $.28 per barrel
Gold- $ 1276.00*	Rose $18.10 per oz.
Unleaded Gasoline-$1.74*	Fell $.09 per gallon
Euro- $ 1.1794	Rose $.032 against the $

* *Wholesale price for NY Mercantile Exchange traded contract*

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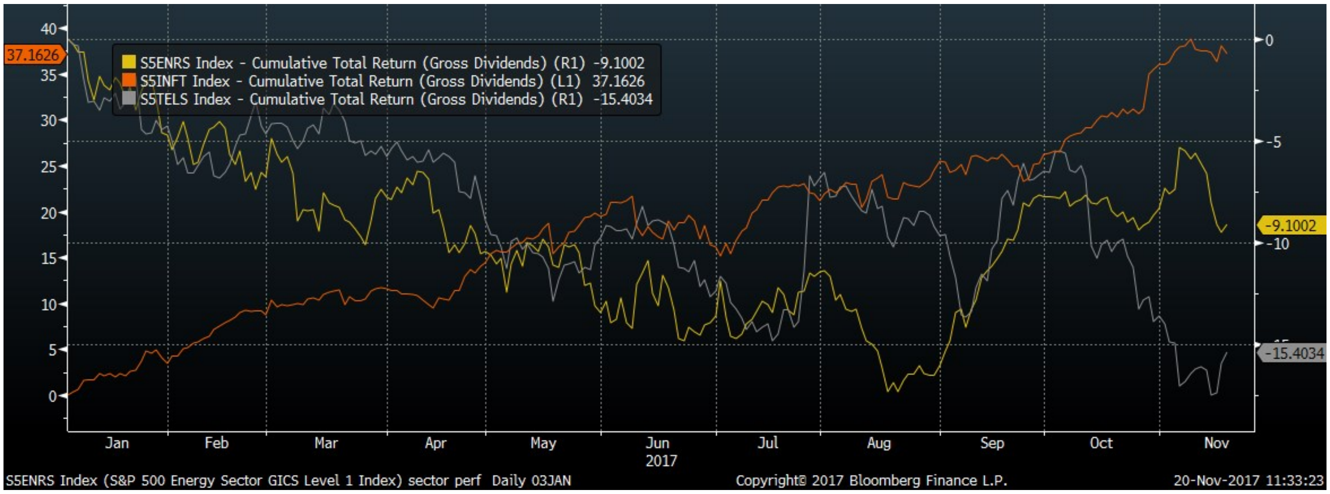
Sector Performance Update



Recently, we have written articles on equity styles as it relates to performance divergence. The most common comparison lately has been Growth vs Value equity strategies. So far in 2017, growth has outpaced value by a tremendous amount. For example, the Russell Large Cap Growth Index has returned 26.35% versus the Russell Value Index at 8.61%. It should not be a complete surprise that a divergence among underlying equity sectors has surfaced. As growth stocks gained investor favor throughout the year, one would expect sectors with a large representation of growth stocks to show greater returns over traditionally value-based sectors, all else equal. Underlying sectors are often described as defensive vs cyclical rather than growth vs value. A cyclical sector typically outperforms in periods of economic expansion and defensive sectors often outperform during periods of economic slowdown or stagnation. The Information Technology sector is not only the largest sector in the S&P 500, it is also home to some of the largest growth companies in the world as measured by market cap. For example, Alphabet Inc. (formally known as Google) and Facebook Inc. have a market weight of $712 billion and $522 billion, respectively. Alphabet has a total return year to date of 30.72% and Facebook has returned an impressive 55.58%. This year investors have truly placed importance on Growth vs Value and Cyclical vs Defensive. It is worth noting that rarely is stock market behavior perfectly transparent or predictable. A traditionally cyclical sector such as Energy has not followed the theme above. The energy sector is down 8.13% this year, bucking the thesis of cyclical vs defensive as a seamless strategy.

The performance difference between sectors has been even greater than the performance between equity styles. As illustrated above, the Information Technology sector has returned an impressive 37% year to date. The Telecommunications sector has had a very difficult year, returning -15.4% for a relative difference of 52%. We view major differences such as these as a reminder to keep our portfolios diversified not only among underlying individual companies, but diversified among industries and sectors. An investor could have hit it big this year by owning only Information Technology securities, however, between 2000 and 2002, the same sector returned -72.13%. Rather than making huge bets on which sector will outperform in any given year, it is likely best to own quality companies across multiple sectors.

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