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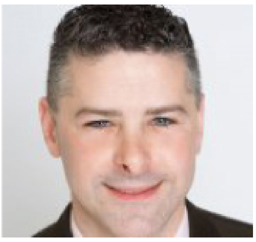


March 2017

Market Update
(all values as of 02.28.2017)

Stock Indices:

Dow Jones	20,812
S&P 500	2,363
Nasdaq	5,825

Bond Sector Yields:

2 Yr Treasury	1.22%
10 Yr Treasury	2.36%
10 Yr Municipal	2.30%
High Yield	5.66%

YTD Market Returns:

Dow Jones	5.31%
S&P 500	5.57%
Nasdaq	8.22%
MSCI-EAFE	4.10%
MSCI-Europe	2.98%
MSCI-Pacific	6.04%
MSCI-Emg Mkt	8.59%
US Agg Bond	0.82%
US Corp Bond	1.34%
US Gov't Bond	0.98%

Commodity Prices:

Gold	1,248
Silver	18.30
Oil (WTI)	53.94

Currencies:

Dollar / Euro	1.05
Dollar / Pound	1.24
Yen / Dollar	112.25
Dollar / Canadian	0.76

Macro Overview

Equity indices had their longest streak of record closes since January 1987, with the Dow Jones Industrial Average reaching 21,000, its second milestone in less than 30 days after reaching 20,000. It took the Dow only 24 trading days to elevate from 20,000 to 21,000, tying a record set in 1999.

Executives from 16 major U.S. companies urged Congress to pass a comprehensive rewrite to the U.S. tax code, including implementing a controversial border tax. Many U.S. companies believe that a border tax would make their products more competitive in the international markets. The border tax proposal has also drawn criticism from U.S. companies such as automobile manufacturers and retailers that require imports and whose margins would fall with border tax payments.

Reflation has become the new inflation as growth expectations are heating up prices, production costs, and wages. Higher wages eventually lead to inflationary pressures because employers pass higher costs along to consumers. Some higher prices for consumers are expected with President Trump's proposals, yet at the same time rising wages may offset higher prices.

U.S. retail stores are struggling due to e-commerce competition and slowing mall traffic. The downturn has led to the highest level of credit distress among the sector since the recession of 2008-2009, according to Moody's Credit Rating agency.

The anticipation that Congress might start repealing portions of Dodd-Frank banking regulations, signed into law following the financial crisis, is driving bank sector stocks higher.

The Federal Reserve made its first rate decision under the Trump administration in February, leaning towards a rate increase as early as March.

The Tax Policy Center, a nonpartisan independent entity in Washington, believes that the tax proposals presented by the president may not become effective until 2018 at the earliest since passage by Congress takes time.

Due to IRS efforts to prevent fraud, tax refunds will be delayed for households claiming the Earned Income Tax Credit (EITC) and the Additional Child Tax Credit (ACTC). It is estimated that about 25 – 30 million households will need to wait to get their refunds creating cash flow disruptions in February and March. Historically, tax payers receiving refunds tend to spend the funds almost immediately.

The Department of Labor is delaying the fiduciary rule from going into effect until June 9th. It was originally scheduled to become effective April 10th, but the department has decided to allow more time to solicit feedback from industry professionals and the public. The fiduciary rule is only affecting retirement accounts for the time being, requiring that investment advisors put the best interests of the investor first.

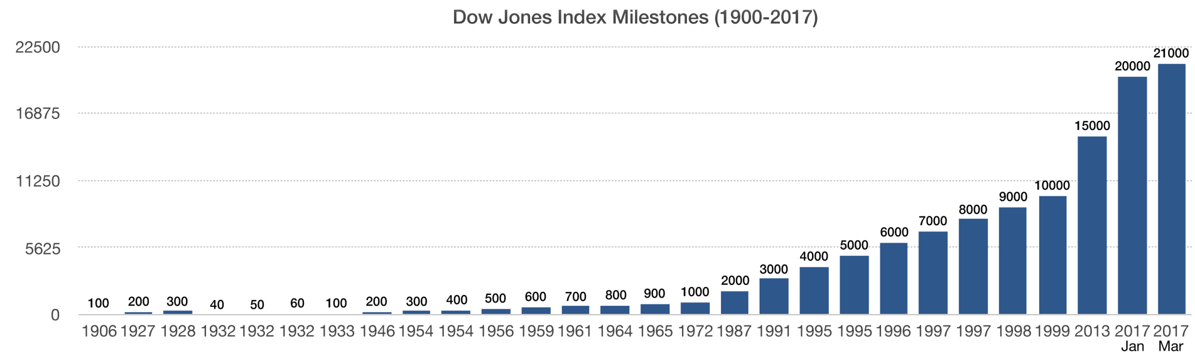
Sources: Labor Dept., IRS, Fed, Dow Jones, S&P

IT TOOK 27 YEARS FOR THE DOW JONES INDEX TO REACH 100 AGAIN

Equity Update – Domestic Stock Market Overview

Equity indices had their longest streak of record closes since January 1987 as positive sentiment swept the markets, propelling the major equity indices to new highs. The S&P 500's market capitalization attained $20 trillion for the first time ever, a dramatic increase over the past few months.

The Dow Jones Industrial Average reached 21,000, its second milestone in less than 30 days after reaching 20,000. It took the Dow only 24 trading days to elevate from 20,000 to 21,000, tying a record set in 1999 for the shortest period between 1000 point milestones. Albeit, the Dow was at a much smaller level in 1999, making that move much larger on a percentage basis.



Market pundits believe that we have officially been in a bull market cycle for the past eight years, as major equity indices have continued to hit new highs since 2008. Many analysts and economists are linking the market's eight-year run to the Fed's monetary easing program, producing ultra low rates and yield seekers.

Bank sector stocks elevated as the expectation that Dodd-Frank regulations would be alleviated as well the Fed positioning for a rate hike fairly soon. Banks tend to perform better with less regulation and a higher interest rate environment.

Sources: Dow Jones, S&P, Reuters

Fixed Income Update – Interest Rate Overview

The 10-year Treasury yield fell to levels not seen since November 2016 when markets were still pensive about the outcome of the presidential election. The retreat of Treasury bond yields may signal that the strong asset flows into equities may be easing up.

Comments by Federal Reserve members in February signaled a solidifying stance for a rate hike as soon as March. Fed member William Dudley cited "sturdy job gains, increase in inflation, and rising optimism among business owners" as viable reasons for higher rates.

Bond yields stopped rising in February and reversed course as lower yields became the norm. Equity investors hesitated at the end of February and reallocated some assets to bonds, driving fixed income prices higher.

Sources: Bloomberg, Federal Reserve

THE U.S. IS EXPECTED TO BE A NET ENERGY EXPORTER BY 2026

First Brexit……….Now Frexit – International Update

A similar sentiment that encouraged British voters to exit the EU is now influencing French voters to possibly do the same. Upcoming Presidential elections in France on April 23rd will determine the country's future in the EU, as a popular candidate, Marine Le Pen, is an advocate of having France exit the EU.

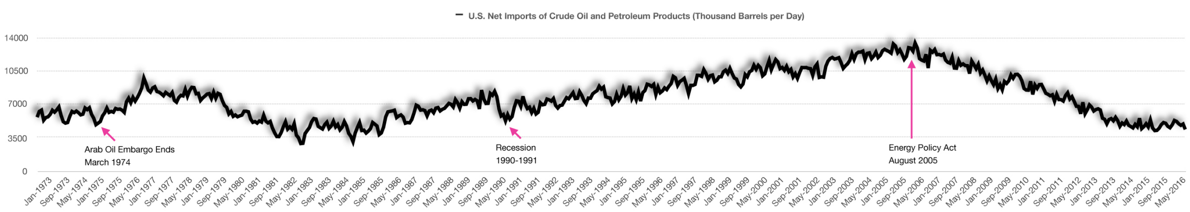
A growing concern in Europe is that a domino effect may take hold as the sentiment to exit the EU spreads to other countries. Upcoming elections in Lithuania, Austria, Netherlands, and Germany may yield additional candidates that also favor an EU exit. Of the 28 EU member countries, France currently has the third largest economy after Germany and the UK, which voted to leave the EU in 2016.

A flight to safety following uncertain political ramifications in Europe drove yields on two-year German government bonds into negative territory in February.

Sources: Eurostat, Bloomberg

Oil Imports Into The U.S. Slowing – Commodities

For decades, the United States has relied on oil and petroleum imports in order to meet demand. Following the second world war, demand for gasoline and petroleum in the U.S. rose dramatically as economic growth and automobiles drove demand up. The Arab Oil Embargo of 1973-1974 tested the United States and its tolerance for reliance on the valuable commodity. As the embargo ended, oil prices normalized and imports increased as demand strengthened. The recession of 1990-1991 saw a drop in imports as demand fell due to a sluggish economy. The economic growth of the 90s and early 2000s saw a steady increase in imports, until the Energy Policy Act was passed in 2005.



The act incentivized energy companies to explore and expand in the U.S. while also being conscience of environmental impacts. Hydraulic fracturing, also known as fracking, had been used for decades but became incredibly popular as regulations that had limited its expansion were revised. Today over half of all domestically produced oil originates from fracking, dramatically decreasing the demand for imported oil and petroleum products.

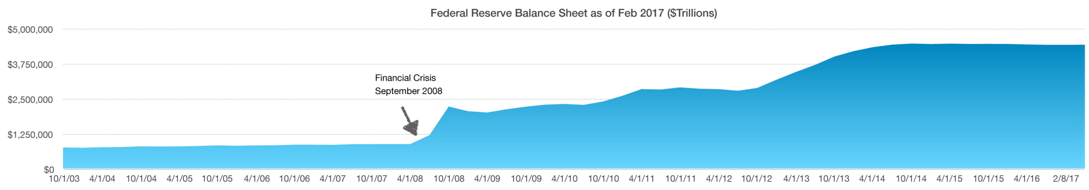
In its Outlook 2017, the EIA is projecting that the United States will become a net energy exporter by 2026, thus eliminating all oil imports within nine years.

Sources: EIA, Department of Energy

How The Fed Balance Sheet Will Affect Mortgage Rates – Monetary Policy

Following the financial crisis of 2008/2009, the Federal Reserve orchestrated an ambitious stimulus program of buying enormous amounts of U.S. government debt and mortgage securities. Over the past eight years, these efforts ballooned the balance sheet of the Federal Reserve to over $4.5 trillion, compiled of both Treasuries and MBS (Mortgage Backed Securities).

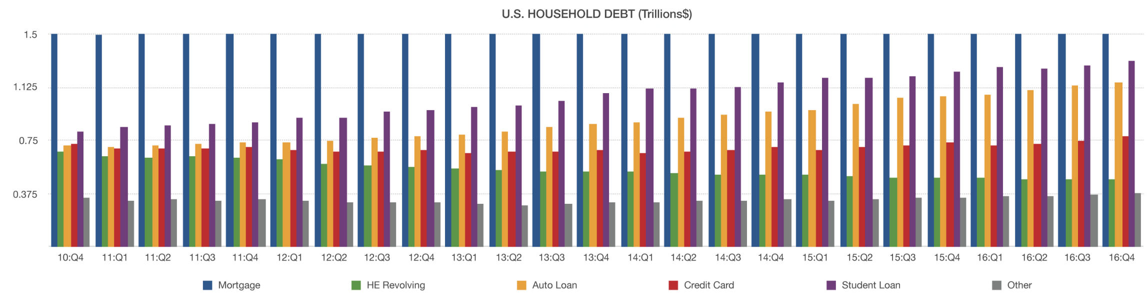
This past month, several Fed officials raised the topic of alleviating the large amounts of mortgage debt on the Fed's balance sheet. The accumulation of debt by the Fed has basically provided a temporary fix to the financial crisis. Now the Fed has reached the point to start unwinding its gigantic portfolio of both Treasuries and mortgage bonds.



Many bond traders expect that as MBS bonds start to flow off the Fed's balance sheet, it will allow private buyers such as mutual funds and pension funds to essentially take over the buying from the Fed. The hope is that in conjunction with alleviation of certain Dodd-Frank rules that limit trading by banks and financial institutions in government securities, these two dynamics may encourage new market participants to become buyers of what the Fed is selling. (Sources: Fed, U.S. Treasury)

Household Debt On The Rise Again – Consumer Finance

According to data from the Federal Reserve Bank of New York, total household debt climbed to $12.58 trillion at the end of 2016, an increase of $460 billion for the year, making it the largest increase in almost a decade. The current amounts are almost equal to the debt levels Americans had in 2008, when total consumer debt reached a record high of $12.68 trillion.



The recent increase in total overall debt is primarily attributable to a steady rise in both student and auto loans. (Sources: Federal Reserve Bank of New York)