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More Record Highs and New Data

FINANCIAL UPDATE - WEEK OF FEBRUARY 21, 2017

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Another week, another round of record highs. Despite concerns about how France's upcoming presidential election could affect the European Union's stability, U.S. stocks ended the week up yet again.^[1] The S&P 500 gained 1.51%, the Dow added 1.75%, and the NASDAQ increased 1.82% - growth that represents record highs for all three indexes.^[2] International equities in the MSCI EAFE also posted positive returns, with 0.78% growth for the week.^[3]

A number of data reports also came out last week, and they tell a mostly encouraging story about the economy right now.

JANUARY INCREASES

Consumer Price Index Up by 0.6%

The Consumer Price Index (CPI), which measures the average prices of specific consumer goods and services, beat expectations and experienced its largest month-over-month jump since 2013.^[4] The index is now 2.5% higher than a year ago, a sign that inflation could be picking up.^[5]

Producer Price Index Up by 0.6%

Whereas the CPI evaluates price changes from a consumer's perspective, the Producer Price Index (PPI), measures changes from the seller's perspective.^[6] For January, the PPI also beat expectations, with energy experiencing a 4.7% increase.^[7]

Retail Sales Up by 0.4%

The monthly Retail Sales report shows growth or contraction in consumer demand for goods and can help indicate whether the economy is expanding.^[8] In addition to January's 0.4% growth, the latest report included upward revisions for November and December 2016.^[9] Overall, Retail Sales are up 5.6% over January 2016.^[10]

Small Business Optimism Index Up by 0.1 points

Each month, the National Federation of Independent Business (NFIB) releases the results of its Small Business Optimism Index, which shows results from its member surveys.^[11] This report measures the mood of small business owners - the largest employers in the U.S. - and January's results are the highest reading since December 2004.^[12] Last month's growth comes on the back of December's 7.4 point jump, the survey's largest ever increase.^[13] In other words, small business owners are interested in hiring and expanding, good news for American workers and the economy.^[14]

JANUARY DECREASES

Industrial Production Down by 0.3%

Last month, industrial firms, such as factories and mines, produced a lower volume of raw goods. If you dig deeper, however, the data is likely less concerning than what it may seem at first. For example, warmer-than-normal temperatures in the contiguous U.S. - a factor that does not have to do with the economy - contributed to utility output's 5.7% decrease, the largest drop since 2006.^[15]

Housing Starts Down by 2.6%

The number of new houses beginning construction fell in January, but future construction permits increased by 4.6% - higher than any time since November 2015.^[16] Housing Starts are also up 10.5% over January 2016.^[17] While the most recent report shows a monthly dip, the data indicates that housing has grown over the past year and will continue to grow in the future.

As you can gather from the balance between data increases and decreases, the January reports we received last week indicate an economy that is growing. We will continue to monitor the pace of growth and stay on top of political developments as we strive to determine what changes or opportunities may be on the horizon.

ECONOMIC CALENDAR

Monday: U.S. Markets Closed for Presidents Day Holiday

Wednesday: Existing Home Sales

Friday: New Home Sales, Consumer Sentiment



Data as of 2/17/2017	1-Week	Since 1/1/17	1-Year	5-Year	10-Year
Standard & Poor's 500	1.51%	5.02%	22.02%	14.54%	6.15%
DOW	1.75%	4.36%	25.34%	11.85%	6.15%
NASDAQ	1.82%	8.46%	28.77%	19.56%	13.39%
US Corporate Bond Index	0.10%	0.65%	5.50%	3.61%	5.10%
International	0.78%	4.21%	12.54%	2.54%	-2.06%
Data as of 2/17/2017	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.50%	0.66%	0.82%	1.92%	2.42%

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance, S&P Dow Jones Indices and Treasury.gov. International performance is represented by the MSCI EAFE Index. Corporate bond performance is represented by the SPUSCIG. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

The Non-financial Nook...

QUOTE OF THE WEEK



"You cannot escape the responsibility of tomorrow by evading it today."

- Abraham Lincoln

RECIPE OF THE WEEK



Seared Scallops



Learn to perfect searing this succulent seafood.

Serves 4


Ingredients:

- 1 to 1 1/4 pounds dry sea scallops, about 16
- 2 teaspoons unsalted butter
- 2 teaspoons olive oil
- Kosher salt
- Black pepper, freshly ground

Directions:

1. Remove the small side muscle from each scallop.
2. Rinse scallops with cold water and pat each one dry completely.
3. Heat a 12 to 14 inch sauté pan on high.
4. Add butter and oil to the pan.
5. Salt and pepper the dry scallops.
6. Watch for the butter and oil to begin slightly smoking before adding the scallops.
7. Place the scallops in the pan so that they do not touch one another.
8. Sear scallops for 1 1/2 minutes on each side.
9. Be sure the top of each scallop has a 1/4-inch golden crust and the center is translucent.
10. Serve immediately.

Recipe adapted from Alton Brown, The Food Network^[18]

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TAX TIPS

Department of
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Will You Have to Pay Taxes on Your Social Security Benefits?

Taking Social Security benefits is an essential income strategy for many retirees. If you are receiving these benefits, you may have to pay federal income tax on some of your payments. Follow these tips and reminders to help understand and uphold your tax responsibilities.

- **Receive Form SSA-1099:** To start, you should receive Form SSA-1099, Social Security Benefit Statement, if you took any Social Security benefits in 2016. This form shows your benefit amounts.
- **Identify income sources:** If your only income in 2016 came from Social Security, you may have a couple of filing benefits: 1) Your Social Security income may not be taxable, and 2) you also may not have to file a federal income tax return. If you have other sources of income, however, you may need to pay taxes on some of your Social Security distributions.

- **Use easy tax formula:** You can quickly identify if you have to pay taxes on any Social Security income with the following equation:
 1. Identify the full amount of your income, including tax-exempt interest, that does not include Social Security.
 2. Calculate half of the total amount you received in Social Security.
 3. Add one half of your Social Security income to your other income.
 4. Compare that total to the base amount of your filing status.

If the total you calculate in Step 4 is more than your base amount, you may have to pay taxes on some of your Social Security benefits.

- **Know your base amounts:** To help your calculations, you need to know the base amount for your filing status:

Amount	Taxpayer Filing Status
\$25,000	Single, head of household, qualifying widow or widower with a dependent child, or married filing separately and having lived apart from your spouse throughout 2016
\$32,000	Married filing jointly
\$0	Married filing separately and lived with spouse in 2016 for any duration of time

Tip courtesy of IRS.gov^[19]



Know Your Golf Etiquette: Common Courtesy

Just like any sport, golfing has its own etiquette that athletes should follow in order to maintain a respectful, engaging game. While some traditions are nearly as old as the game itself, modern standards have also emerged for us to follow. Here are some reminders on common courtesy we should all be aware of when on the course.

1. Telling someone to pick up the pace

If you're playing with someone whose pokey pace is slowing down the game, you can encourage them to speed up respectfully, but don't put them on the spot. Instead of personal accusations like, "You should speed up," bring yourself into the situation by using "we." With this approach, you say, "We seem to be holding back other groups. Let's pick up the pace a bit."

2. Smoking cigars while playing

Smoking a high-quality cigar (and sharing!) while playing is acceptable

behavior, especially when everyone in your group is okay with the smoke. What's not acceptable is littering your butts and other items. So pick up your trash and keep the course clean.

3. Giving someone playing tips

If you see that someone you're playing with could use some tips, we encourage you to fight the urge to teach them. Reserve your guidance for the range, not mid-round where everyone is here to play, not practice. Plus, if you offer unsolicited help, you may just end up offending your playing partner, which is a recipe for a bad day of golf.

Tip courtesy of Jason Guss | Golf Digest^[20]

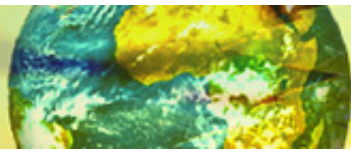


Tips to Help You Improve Your Metabolism

Having a strong metabolic rate is important for staying healthy. How efficiently your body burns calories will drive many health factors, such as how easily you stay trim. While aspects of our metabolisms are genetic, you can still take steps to boost yours. To optimize your health and improve your metabolism, follow these tips.

- **Build Muscle**
Your body is always burning calories, even when resting. On average, you will burn roughly six calories each day for every pound of muscle; meanwhile, you burn only two calories daily for each pound of fat. When you have stronger muscles, you increase your resting metabolic rate.
- **Drink More Water**
You need water to burn calories. And drinking more water can help you burn more calories. In fact, when you are dehydrated, your metabolic rate may even decrease. To ramp up your metabolism, increase the amount of water you drink throughout the day, especially before meals. Also, make sure to swap chips and salty snacks for fruits and vegetables, which naturally contain water.
- **Eat Spicy Food**
Hot foods, such as green chili peppers, naturally boost your metabolism with natural chemical properties. While the effect may be temporary if you sporadically eat spicy food, with prolonged, consistent consumption, you may see these benefits add up. To incorporate more spice into your diet, you can easily add fresh chili peppers or red pepper flakes to dishes like soups and pasta.

Tip courtesy of WebMD^[21]



Drink Locally and Help Your Environment and Community

Good news for everyone who likes to drink local craft beer: You could be helping the planet. If you're like the average American, you probably live within a handful of miles from a local brewery. And by drinking locally, you may be bringing advantages that you don't even realize. Here are a few ways that drinking at your local craft breweries can help your community and the planet:

- **Lower your carbon footprint:** Craft breweries rarely have large distributions that cover thousands of miles across the country. Instead, they tend to focus on smaller distributions within their local radius. By either buying their bottles, filling your growlers, or drinking on site, you are contributing to less distribution needs from commercial producers and helping to lower your carbon footprint.
- **Support your local economy:** Your local brewer lives in your very own city and community. By drinking their beer at their establishments, you are putting your own dollars to work by supporting your local economy.
- **Minimize your beer waste:** Another benefit from drinking local beer is that you can ditch the bottles and cans for growlers. A growler is typically a 4+-pint container that you can fill with beer onsite at the brewery (or at growler-filling shops, if your community has them). By filling, drinking from, and reusing them, you cut your personal waste down to zero.

If craft beer isn't your preference, you can always support your community by drinking locally made wine, ciders, and other spirits.

Tip courtesy of The Nature Conservancy^[22]

Share the Wealth of Knowledge!

Please share this market update with family, friends, or colleagues. If you would like us to add them to our list, simply click on the "Forward email" link below. We love being introduced!

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia and Southeast Asia.

The S&P U.S. Investment Grade Corporate Bond Index contains U.S.- and foreign-issued investment-grade corporate bonds denominated in U.S. dollars.

The SPUSCIG launched on April 09, 2013. All information for an index prior to its Launch Date is back-tested, based on the methodology that was in effect on the Launch Date. Back-tested performance, which is hypothetical and not actual performance, is subject to inherent limitations because it reflects application of an Index methodology and selection of index constituents in hindsight. No theoretical approach can take into account all of the factors in the markets in general and the impact of decisions that might have been made during the actual operation of an index. Actual returns may differ from, and be lower than, back-tested returns.

The S&P/Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices, tracking changes in the value of residential real estate. The index is made up of measures of real estate prices in 20 cities and weighted to produce the index.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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[1] <http://www.cnbc.com/2017/02/17/us-markets.html>

[2] <http://finance.yahoo.com/quote/%5EGSPC/history?period1=1486702800&period2=1487307600&interval=1d&filter=history&frequency=1d>

<http://finance.yahoo.com/quote/%5EDJI/history?period1=1486702800&period2=1487307600&interval=1d&filter=history&frequency=1d>

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[3] <https://www.msci.com/end-of-day-data-search>

[4] <http://www.ftportfolios.com/Commentary/EconomicResearch/2017/2/15/the-consumer-price-index-increased-0.6percent-in-january>

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[6] <http://www.investopedia.com/terms/p/ppi.asp>

[7] <http://www.ftportfolios.com/Commentary/EconomicResearch/2017/2/14/the-producer-price-index-rose-0.6percent-in-january>

<https://www.bls.gov/news.release/ppi.nr0.htm>

[8] <http://www.investopedia.com/terms/r/retail-sales.asp>

[9] https://www.census.gov/retail/marts/www/marts_current.pdf

[10] https://www.census.gov/retail/marts/www/marts_current.pdf

[11] <http://www.nfib.com/surveys/small-business-economic-trends/>

[12] <https://www.zacks.com/investment-newsletter.php?arc=20170215>

[13] <https://www.zacks.com/investment-newsletter.php?arc=20170215>

[14] <http://www.nfib.com/surveys/small-business-economic-trends/>

[15] <http://www.ftportfolios.com/Commentary/EconomicResearch/2017/2/15/industrial-production-declined-0.3percent-in-january>

[16] <http://www.cnbc.com/2017/02/16/us-housing-starts-jan-2017.html>

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[18] <http://www.foodnetwork.com/recipes/alton-brown/seared-scallops-recipe>

[19] <https://www.irs.gov/uac/are-social-security-benefits-taxable>

[20] <http://www.golfdigest.com/story/common-courtesy-giving-advice-maintaining-good-pace-and-playing-through>

[21] <http://www.webmd.com/diet/ss/slideshow-boost-your-metabolism>

[22] <http://www.nature.org/greenliving/gogreen/everydayenvironmentalist/drink-local.xml>

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