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Is a Rate Hike Coming?

FINANCIAL UPDATE - WEEK OF MARCH 6, 2017

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On Wednesday, March 1, the three major domestic indexes all had their best performance in 2017 and reached record highs yet again.^[1] In fact, the S&P 500 hit 2,400 for the first time ever on the same day the Dow went above 21,000 for the first time.^[2] While the markets cooled slightly on Thursday and Friday, all three indexes were up for the week. The S&P 500 added 0.67%, the Dow increased by 0.88%, and the NASDAQ was up 0.44%.^[3] International equities in the MSCI EAFE also grew, adding 0.39% for the week.^[4]

In the midst of more record performance, we received a number of data updates that help improve our understanding of the true economic environment and potential for the Fed to increase interest rates next week.

What We Learned Last Week

Fourth Quarter 2016 GDP Readings Stayed the Same

On February 28, we received the second reading of Gross Domestic Product (GDP) for the fourth quarter of 2016. The consensus expectation was for the reading to increase to 2.1% from the 1.9% growth in January's Advance report.^[5] However, the newest data did not show any change in Q4 GDP.^[6]

Manufacturing Activity Increased

The ISM manufacturing survey beat expectations to come in at 57.7 for

February - the highest reading in 2.5 years and the best yearly start since 2011.
[7] Levels over 50 indicate expansion, so this data provides a positive signal for our manufacturing sector.[8]

Service Sector Activity Increased

In February, the service sector grew for the 86th straight month, with the ISM non-manufacturing survey coming in at 57.6.[9] Both new orders and business activity had faster expansion, and the employment index also increased.[10]

Consumer Confidence Hit a More Than 15-Year High

The latest consumer confidence numbers from the Conference Board have not been this high since July 2001.[11] Fewer people think that jobs are "hard to get," and many "consumers expect the economy to continue expanding in the months ahead." [12] Of course, consumer confidence is no guarantee for future circumstances; instead, it measures sentiment and currently indicates that many people feel more positively about the economy.

Personal Income Went Up

The latest personal income data indicated a 0.4% increase in January - for a 4.0% yearly increase.[13] In addition, the Personal Consumption Indicator (PCE) deflator, which measures consumer inflation, grew by 0.4% in January, the largest monthly increase since 2011.[14] The Federal Reserve follows the PCE deflator very closely, so this recent jump could be another sign that a March interest-rate increase could be more likely to occur.[15]

These data updates are only a few of the economic details we learned last week, but together, they may help explain why the Fed could increase rates in the March 14 - 15 meeting. As recently as Tuesday morning, the odds of a rate hike were only 35%.[16] By Friday, they had increased to 81%, due to strong economic data and remarks from Fed representatives.[17] On Friday, Fed Chairwoman Janet Yellen said that if employment and inflation continue to change as they expect, then a change to the "federal funds rate would likely be appropriate." [18]

Combined with the recent PCE deflator increases, this Friday's employment data should help provide more context for the Fed's decision. However, as we have seen before, no one truly knows what the Fed will decide until they make their announcement after the meeting. For now, we will monitor the data and wait to hear the Fed's announcement on March 15.

ECONOMIC CALENDAR

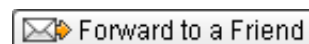
Monday: Factory Orders

Tuesday: International Trade

Wednesday: Productivity and Costs

Thursday: Import and Export Prices

Friday: Employment Situation



Data as of 3/3/2017	1-Week	Since 1/1/17	1-Year	5-Year	10-Year
Standard & Poor's 500	0.67%	6.44%	19.55%	14.80%	7.18%
DOW	0.88%	6.29%	23.97%	12.37%	7.34%
NASDAQ	0.44%	9.06%	24.71%	19.45%	14.79%
International	0.39%	4.35%	9.03%	2.39%	-1.65%
Data as of 3/3/2017	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.56%	0.84%	0.98%	2.02%	2.49%

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.

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

*"Concentrate all your thoughts upon the work at hand.
The sun's rays do not burn until brought to a focus."*

- Alexander Graham Bell

RECIPE OF THE WEEK

No-Churn Vanilla Ice Cream



A no-fuss recipe for a classic dessert.

Ingredients:

- 1 can (14 ounces) sweetened condensed milk
- 2 tablespoons pure vanilla extract
- 2 tablespoons bourbon (optional)
- 2 cups cold heavy cream

Directions:

1. Combine the condensed milk, vanilla, and bourbon in a medium bowl.
2. Stir together until thoroughly mixed and put aside.
3. Pour heavy cream into a large bowl.
4. Beat thoroughly (on high for 3 minutes if using an electric mixer) until you form stiff peaks.
5. Fold the cream gently into the condensed milk mixture using a rubber spatula.
6. Pour combined mixture into a 4.5" x 8.5" loaf pan.
7. Freeze ingredients until firm, usually for 6 hours.

Recipe adapted from Martha Stewart^[19]

 Forward to a Friend



Claim the Non-Business Energy Property Credit

Good news for those making their home energy efficient: The IRS lets you claim tax credits for the upgrades. If you made these types of improvements on your home in 2016 and haven't already maximized your lifetime credit claims, you have two credits available to you - one of which is the Non-Business Energy Property Credit. Here are the guidelines for claiming that credit.

Non-Business Energy Property Credit

- **Good For:** Existing homes located in the U.S.
- **Maximum Credit:** A lifetime limit of \$500
- **Credit Exceptions:** Only \$200 of your claim can go toward windows
- **Two Credit Subsections:** Based on 1) item cost and 2) installation costs

1. Item Costs

Part of this credit covers 10% of what you paid to upgrade your home with qualified energy-saving items, not including labor. Qualified items include:

- Adding insulation
- Installing energy-efficient exterior windows and doors
- Installing certain roofs

2. Installation Costs

The other part of this credit covers a portion of your installation costs for certain high-efficiency household items, including:

- Heating and air-conditioning systems
- Water heaters and stoves that burn biomass fuel

To claim this credit, you will need to make sure you save within your tax records the manufacturer's written certification that their product qualifies for energy-efficiency home credits. To file your credit, use IRS tax [Form 5695](#).*

*This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Tip courtesy of IRS.gov^[20]



Move Your Hips for a More Powerful Swing

A powerful swing can make the difference between hitting under or above par. When moving from backswing to downswing, golfers often lose their power. Here's a quick reminder on how to keep strength in your swing and maximize your game.

Don't: When swinging, take care to not unwind your upper body too quickly from the top. When this happens, you will overuse your arms and shoulders and slow down your clubhead.

Do: Engage your hips more on the downswing. This move will add speed and help you hit an additional 15 to 20 yards.

To add more power to your swing:

1. Hold your original address posture throughout your backswing.
2. Turn your shoulders to the top as far as you're able.
3. Begin your downswing by turning your hips hard to the left (if you're a righty) as your back faces the target.

By leading with your hips - and separating your upper and lower body - you will naturally follow through with your shoulders, chest, arms, hands, and clubhead. If the shaft appears to bisect your right forearm when the club is parallel, you'll know your downswing is positioning the clubhead to approach the correct inside path.

Tip courtesy of Golf Digest^[21]



Lifestyle Tips to Reduce Snoring

Snoring when sleeping is a common ailment that affects 45% of normal adults - and 75% of snorers experience obstructive sleep apnea, which disrupts breathing and can increase the risk of other health problems. While medications and surgeries can help with snoring, lifestyle changes may also provide a fix. If you snore, here are common adjustments you can make to improve your quality of sleep (and those around you).

1. Change the position you sleep in

If you're a back-sleeper, you're increasing your chance of snoring. Lying on your back makes your soft pallet and tongue's base collapse to your throat's back wall, which creates vocalized vibrations. A simple switch to lying on your side - and using a body pillow - can help you reduce this effect.

2. Lose weight

Carrying extra weight - especially around your neck and throat - can cause your throat to collapse in your sleep, which leads to snoring. Losing weight may help reverse this snoring trigger.

3. Drink enough water

Not drinking enough water can increase your snoring intensity, because you dehydrate the secretions in your nose and soft palate, making them stickier. You can increase hydration by getting at least 11 cups of water per day for women and 16 per day for men.

Tip courtesy of AARP^[22]



Embrace Upcycling - And Turn a Cardboard Box Into a Designed Storage Basket

Upcycling is a term for giving new life to old items. When you upcycle, you take something you no longer use, such as a t-shirt, and repurpose it into something else, like a tote bag. By embracing upcycling as part of your lifestyle, you can help reduce what you send to the landfill while also minimizing your consumption.

A common item we use once and immediately throw away or recycle is a cardboard box. These containers are great for upcycling and can help you bring organization to your household. Instead of buying an expensive basket, save those bucks and new products by repurposing your cardboard box into the storage you need.

Turn a cardboard box into a storage basket

You can give that box new life by:

- Removing the cardboard box flaps
- Wrapping and glueing jute string around the box's exterior until you completely cover the box
- Covering the box's interior with a self-designed fabric liner glued inside

Use your storage container to hold everything from extra toilet paper rolls to hand towels and more.

Tip courtesy of Good Housekeeping & Elizabeth Joan Designs^[23]

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!



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/2017/03/03/us-markets.html>

[2] <http://www.marketwatch.com/story/bull-trend-confirmed-again-sp-500-briefly-tags-the-2400-mark-2017-03-02>

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[7] <http://www.ftportfolios.com/Commentary/EconomicResearch/2017/3/1/the-ism-manufacturing-index-rose-to-57.7-in-february>

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[9] <http://www.ftportfolios.com/Commentary/EconomicResearch/2017/3/3/the-ism-non-manufacturing-index-rose-to-57.6-in-february>

[10] <http://www.ftportfolios.com/Commentary/EconomicResearch/2017/3/3/the-ism-non-manufacturing-index-rose-to-57.6-in-february>

[11] <http://www.marketwatch.com/story/consumer-confidence-hits-15-year-high-2017-02-24>

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[14] <http://www.ftportfolios.com/Commentary/EconomicResearch/2017/3/1/personal-income-increased-0.4percent-in-january>

[15] <http://www.ftportfolios.com/Commentary/EconomicResearch/2017/3/1/personal-income-increased-0.4percent-in-january>

[16] <http://money.cnn.com/2017/03/01/news/economy/march-rate-hike-dudley/>

[17] <http://www.cnbc.com/2017/03/03/us-markets.html>

[18] <http://www.cnbc.com/2017/03/03/bond-investors-eye-yellen-data.html>

[19] <http://www.marthastewart.com/355960/no-churn-vanilla-ice-cream>

[20] <https://www.irs.gov/uac/get-credit-for-making-a-home-energy-efficient>

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[23] <http://www.goodhousekeeping.com/home/craft-ideas/how-to/g139/genius-upcycling-ideas/?slide=3>

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