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Strong Markets and Slow GDP

FINANCIAL UPDATE - WEEK OF MAY 1, 2017

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Stocks continued their advance on generally strong earnings reports this week despite the GDP report showing a slow first quarter economy. The S&P 500 rose 1.51%, the Dow gained 1.91%, and the NASDAQ added 2.32%.^[1] On Tuesday, the NASDAQ posted record highs as it closed over 6,000 for the first time.^[2] Internationally, the MSCI EAFE was up 2.97%.^[3]

On Friday, April 28, we learned that first quarter GDP increased a modest 0.7%, lower than the reported consensus expectations of approximately 1%.^[4] Oil drilling and housing performed well, but consumer spending fell, largely due to poor auto sales and lower utility bills.^[5] Consumer spending, the largest segment of our economy, rose by only 0.3%.^[6]

While this growth is slower than the 2.1% last quarter - and the lowest we've experienced in three years - the picture is likely not as negative as it may seem at first.^[7] Not only did mild weather affect consumer spending on heating, but the government has also acknowledged its challenges accurately calculating data for first quarter GDP.^[8]

In addition to these GDP readings, a number of other events and data releases contributed to market performance this week.

Domestic Developments

- **Corporate Earnings Were Largely Positive**

Thus far in the first quarter, 79% of reporting companies published strong profits.^[9] In particular, consumer discretionary companies and commodity producers reported robust earnings while phone services and real estate investment trusts had weaker results.^[10]

Strong Reports:^[11]

Amazon
General Motors
Alphabet (parent company of Google)
EXXON
Chevron

Disappointing Reports:^[12]

Procter & Gamble
U.S. Steel

- **Trump Announced Tax Plan**

President Trump outlined his new tax proposal, including plans to cut corporate taxes to 15%.^[13] Individual tax rates would fall to 10%, 25%, and 35% if Congress adopts the President's plan.^[14]

International News

- **North American Trade Experienced Tension**

On Wednesday, April 26, reports that the U.S. may pull out of NAFTA created concern in financial markets.^[15] By Thursday, however, markets calmed after President Trump said he would agree to requests from Canada and Mexico's leaders to renegotiate the decades-long trade deal.^[16] As these negotiations continue, two controversies lay in the background:

1. U.S. dairy farmers' claims that Canadian action concerning milk imports violates the trade agreement.^[17]
2. A new tariff of up to 24% on Canadian softwood lumber that President Trump announced last week.^[18]

Finding the right solution for the negotiations is important to the U.S., Canada, and Mexico. NAFTA affects a significant portion of each country's economy, including industries such as farming, automotive, and energy. Trade with the two countries accounted for approximately \$584 billion in U.S. exports in 2016.^[19]

- **French Elections Moved Markets**

Political newcomer Emmanuel Macron emerged as the frontrunner in the French election while ultra-right nationalist Marine Le Pen's chances of winning the May 7 final election appear to be fading.^[20] After the first round election results eased investor concerns about a possible Le Pen victory, the markets reacted positively with \$2.4 billion flowing into European equities by

What's Next

With Congress avoiding a shutdown last week, the markets should focus this week on:

- Earnings reports
- Construction spending
- April auto sales
- Manufacturing data
- Federal Reserve meeting on Wednesday

By Friday, most remaining S&P 500 companies' earnings reports will be in, including Apple, Facebook, and Pfizer.^[23] Looking ahead, we will watch for what economic stories emerge from the data we receive, including the upcoming jobs report. For now, despite the first quarter's initially slow GDP growth of 0.7%, expectations continue for 2.5% growth in 2017.^[24]

ECONOMIC CALENDAR:

Monday: Construction Spending, Personal Income and Outlays, PMI Manufacturing Index, ISM Manufacturing Index

Wednesday: ADP Employment Report, PMI Service Index, ISM Non-Manufacturing Index

Thursday: International Trade, Productivity and Costs

Friday: Employment Situation

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DATA AS OF 4/28/2017	1 WEEK	SINCE 1/1/17	1 YEAR	5 YEAR	10 YEAR
STANDARD & POOR'S 500	1.51%	6.49%	15.44%	11.27%	4.87%
DOW	1.91%	5.96%	17.82%	9.65%	4.83%
NASDAQ	2.32%	12.34%	26.64%	14.70%	9.13%
INTERNATIONAL	2.97%	8.89%	8.30%	3.88%	-1.96%
DATA AS OF 4/28/2017	1 MONTH	6 MONTHS	1 YEAR	5 YEAR	10 YEAR
TREASURY YIELDS (CMT)	0.68%	0.99%	1.07%	1.81%	2.29%

Notes: All index returns (except S&P 500) exclude reinvested dividends, and the 5-year and 10-year returns are annualized. The total returns for the S&P 500 assume reinvestment of dividends on the last day of the month. This may account for differences between the index returns published on Morningstar.com and the index returns published

elsewhere. 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.

FINRA Investor Alert

On March 6, 2017, The Financial Industry Regulatory Authority (FINRA) released an updated Investor Alert entitled "Updated: Duration-What an Interest Rate Hike Could Do to Your Bond Portfolio". Download the full report [here](#).

Article Adapted From FINRA.org [30]

The Non-financial Nook...

QUOTE OF THE WEEK



"The winds and waves are always on the side of the ablest navigators."

- Edward Gibbon

RECIPE OF THE WEEK



Horseradish Salmon



Serves 4

Ingredients:

- 1 English cucumber
- 2 TBSP distilled white vinegar
- 2 TBSP fresh dill, chopped
- 2 TBSP olive oil
- ½ cup panko (light, crispy bread crumbs)
- 2 TBSP prepared horseradish
- 4 salmon fillets, boneless and skinless
- 6 oz baby spinach
- salt and pepper

Directions:

1. Preheat oven to 475°F.
2. Cover large baking sheet with foil and set aside.
3. Grab a large bowl and combine cucumber, vinegar, 1 TBSP dill, 1 TBSP olive oil, and ⅛ tsp each of salt and pepper.
4. In a small bowl, combine horseradish, panko, and remaining olive oil and dill.
5. Top salmon with ⅛ tsp each of salt and pepper.
6. Place salmon on the baking sheet with the smooth side facing up.
7. Press panko mixture onto each fillet, spreading evenly.
8. Bake salmon for 8 minutes, or until the fish is opaque throughout and brown on top.
9. Combine spinach and cucumber mixture in a bowl and toss together to serve with the salmon.

Recipe adapted from Good Housekeeping^[25]

 Forward to a Friend



Amending Errors on Filed Returns

Filing your taxes can be a complicated, cumbersome process. As a result, errors sometimes slip through and make it into the tax returns you file. If you noticed errors after you've filed with the IRS, you are able to make amendments. Here are some key tips to help you take the right steps.

Can you file amended returns electronically?

No. You must file an amended return by mailing the IRS a paper copy of form 1040X.

What changes does the IRS allow you to make?

Taxpayers can amend their return for specific reasons:

- **Allowed:** You can make changes to your return when you have edits such as updating your income amounts, correcting your filing status, and claiming deductions.
- **Not Allowed:**
 1. **Math errors:** You typically do not need to file an amended return to change any math errors. The IRS calculates all math and automatically corrects wrong calculations that your return includes.
 2. **Missing forms:** You don't need to file a new return if you forgot to include a form, such as your W-2. The IRS will send you a letter to request missing documents.

You typically have three years to file an amended return from the date that you originally filed. Other details apply, so be sure to check out further guidance on [the IRS website](#).

*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^[26]



Fix Your Play By Flattening Your Backhand Swing

Cupping your wrist in your backswing can ruin your game, even when your swing is otherwise tight. When players cup, they bend their left wrist (right wrist for lefties) until the back of the hand and the forearm form an angle. This position will affect other aspects of your stance, such as folding your lead arm and separating your arms away from your chest and body. The result? A shot that can do everything from slicing or fading to traveling high and angling right - causing you to lose distance.

To flatten your wrist, try the "Book Drill," which you can practice anywhere that you have a hardcover book or clipboard (or other similar item) on hand.

1. **Place the book in your hands:** Use your normal golf grip so the book is

between your hands and forearms.

2. **Take slow backswings:** As you do, pay attention to which forearm your book touches. When the book touches your right forearm (left forearm for lefties), observe your left wrist (right wrist for lefties) for a break or angle rather than being flat and bowed.
3. **Repeat backswing:** In this next round, you'll want to make sure the book touches your left forearm rather than your right (swapped for lefties). When this happens, your wrist should be flat.

Repeat this process until your backswing naturally lands the book at your left forearm.

Tip courtesy of Golf Tips Magazine^[27]



Tips to Keep Your Blood Pressure Down

Having high blood pressure is serious. While the proper medication can help you manage your blood pressure, you also can address aspects of your lifestyle to help keep your levels in check. Below are a few changes that can positively affect and help lower your blood pressure.

Tip 1: Lose weight

Losing weight is one of the top life changes that may decrease your blood pressure -even dropping 10 pounds can make a difference. People who are overweight also can develop sleep apnea, which also may increase your blood pressure. Gaining weight around your waistline can increase blood pressure, so closely watching (and minimizing) how you gain fat is important.

Tip 2: Eat less sodium

Generally, people should aim to eat no more than 2300 mg of sodium a day. If you're older than 50, limit yourself to 1500 mg each day. By doing things like eating less processed food and scrutinizing food labels, even small salt reductions can decrease your blood pressure by 2 to 8 mm Hg.

Tip 3: Stop smoking

Every time you smoke, you work against your health. In fact, each cigarette increases your blood pressure - and it remains high for minutes after smoking. By quitting smoking, you will help lower your blood pressure.

Tip courtesy of Mayo Clinic^[28]



Grow These Plants to Attract Bees

All over, bee populations are plummeting - which is worrisome, considering they are responsible for pollinating $\frac{1}{3}$ of the food we eat. Due to developments such as changes in agriculture practices, many bees no longer have access to the same habitat and food they need to survive. You can help our bee populations by choosing to fill your garden with bee-attracting plants. Here are a handful of flowers that bees love and will make your garden pop.

Bee Balm: Native to North America, Bee Balm grows throughout the country - and bees love the flowers. Various species exist, and you can choose from a variety of blooming colors.

Lavender: Lavender isn't just an herb that's good for things like teas and cooking, it's also a great bee attractor. The lavender's flowers are quite aromatic, which bloom from spring through summer.

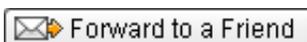
Sunflower: Bees love the big flowery heads of sunflowers, which they forage for pollen and nectar. Sunflowers can live all over the country, and you can choose from annual and perennial varieties.

Cranesbill: These flowers are a type of geranium that bloom from spring through early winter. The long flowering cycle provides a lengthy timeframe for feeding your bees, while providing long-lasting burst of colors in your garden.

Tip courtesy of Natural Living Ideas^[29]

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/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. Specific investments listed are provided as examples and are not intended as recommendations.

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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[2] <https://www.usatoday.com/story/money/markets/2017/04/25/earnings-power-dow/100875436/>

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