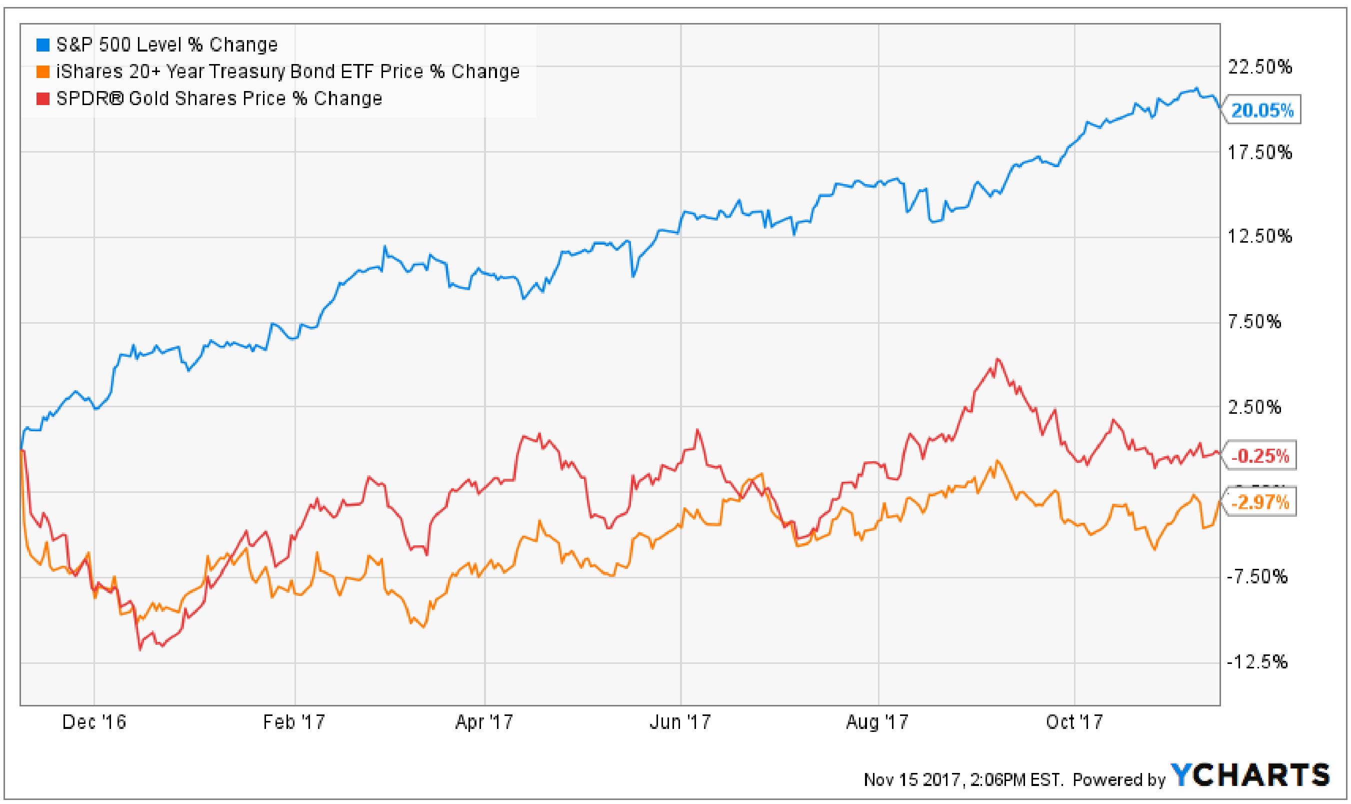
# Market Update

November 15, 2017

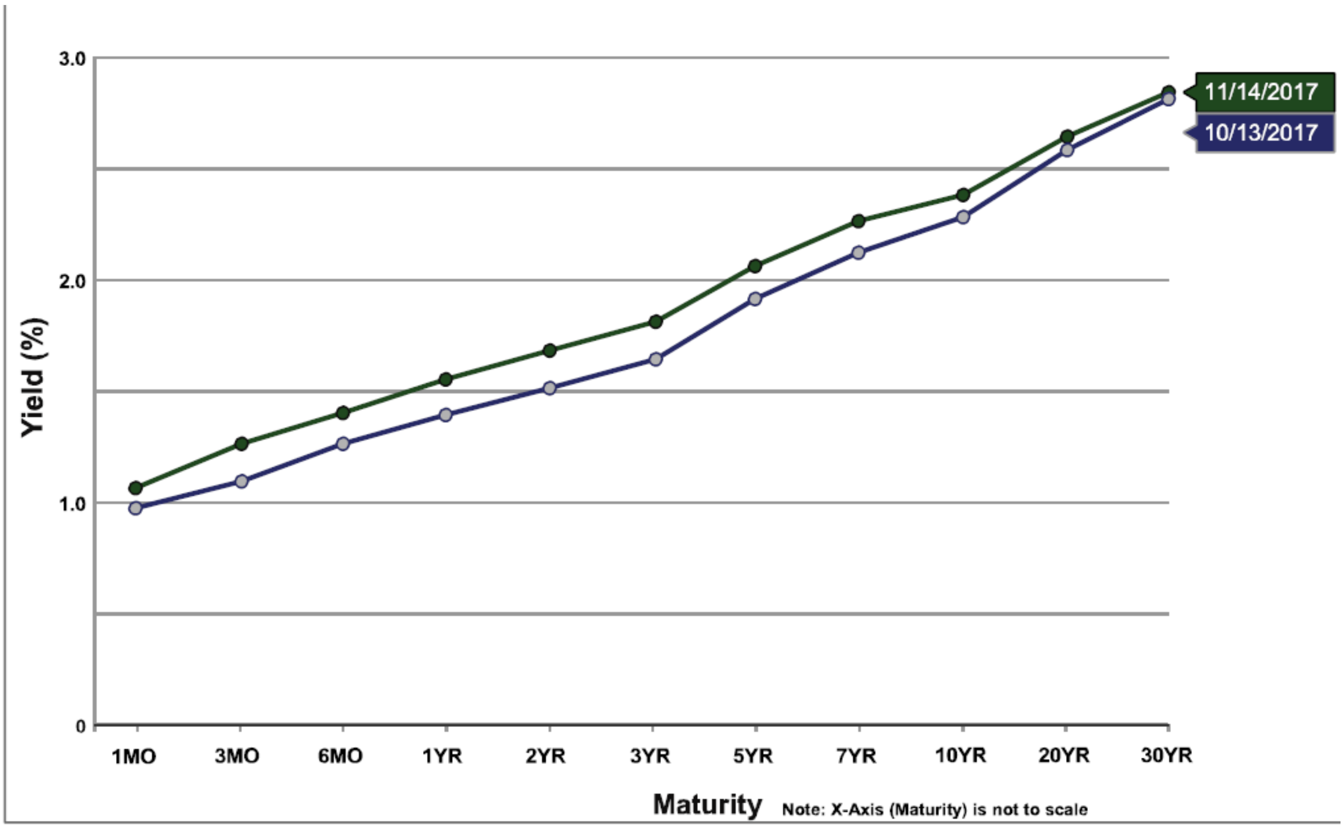
**Waiting for the Tax Plan**

Earnings season has mostly come and gone at this point, and it was a good reporting season. The markets have started to show a little bit of softness, as we are waiting to see the new tax plan get finalized. It is difficult to speculate on exactly what the final version will look like, at this time. The bills still need to get through the House and Senate before they receive a final signature from the President. We will certainly have a lot to talk about when that all happens. The chart below shows that even with a touch of market softening, at the very end of the chart, that the U.S equities markets are at or near all time highs. The blue line (the S&P500) indicates this in the chart below, since November 8th of last year. TLT, our proxy for long-term Treasuries, shows some strengthening from last month in the price of treasuries. However, the trend looks to be in a range according to the orange line. GLD, our proxy for gold, is also looking like it is staying in a range, as indicated by the red line in the chart below. Waiting on the tax package seems to be influencing the more current range bound nature of these indicators.




Information in the chart above was taken from sources we believe to be reliable; however; we do not guarantee its accuracy or completeness.

A small amount of flattening has occurred since last month, in the yield curve below. The curve remains positively sloped, which continues to support the notion that the interest rate markets are healthy and not signaling a slow down in the economy. We have recently attained two successive quarters of 3%+ GDP growth which is the fastest pace in over 2 years.

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https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/Historic-Yield-Data-Visualization.aspx

The most recent equities market softening is not only occurring in the U.S. but internationally, as well. This is likely a sign of prudent market participants taking some profits in markets that have been at all time highs domestically and some globally. Markets do not go up in a straight line nor should they, to remain healthy and not in a state of over confidence. We see the markets remaining soft and giving back a bit until the tax package is approved or not. Also, we do not believe that this is anything more than normal market reaction. Our opinion is to remain on our current course and not change much of the equities exposure clients have in their asset allocations. New data and information is always being evaluated in case changes are required.

Overall, we still prefer domestic equities over international equites. International markets, especially developed international markets, continue to look attractive. Most all of our portfolios hold a percentage of their assets in international investments which should benefit from improved economic indications globally. As we stated before, we continue to look at ways to lower the risk of a rising interest rate environment and continue to make needed changes to further reduce duration risk in our fixed income holdings, where appropriate.

If you have questions or would like to discuss this further with regard to your personal portfolio please contact me at 310-433-5378.

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