

## **INVESTMENT SUMMARY**

### **3rd Quarter 2017**

The equity markets extended their gains in the third quarter, continuing an orderly rise in stock prices around the world. The key pillars of the global economy are hitting on all cylinders, with the highlights being strong job creation bolstering consumer spending that is on the rise. Earnings being reported by American companies have been growing at about a 9% pace of late, while 75% of the corporate announcements have exceeded expectations. Although the S&P 500 benchmark is not leading the way in 2017, it is enjoying an incredible run of eight consecutive quarters of positive returns.

Strong economic fundamentals paired with easy monetary policy deserve much of the credit for rising asset prices. Central bankers in the U.S., Europe, Japan, and China have provided a coordinated regimen of loose money by way of low or negative interest rates. This massive stimulus effort has fueled the robust levels of business activity and healthy job markets. Impressively, Japan is enjoying its tightest labor market in forty years, while unemployment in the United Kingdom recently touched a low not seen since the 1970s.

Nine years into this long-running bull market, the Federal Reserve has the challenging task of guiding a U.S. economy which is likely in the latter stages of expansion. As in prior business cycles, the Fed is concerned about inflation that can build up in the economy. To manage rising prices, Chairwoman Yellen is expected to raise the Fed Funds rate four additional times through 2018, which in turn could be challenging for markets to absorb. Further complicating matters are the recent hurricanes which caused record damage to key U.S. business centers and communities. These natural disasters make interpreting economic data more difficult for the Fed, given the impact weather can have on both the job market and overall GDP. Looking ahead, the Federal Reserve's top priority is to reverse the many years of highly accommodative monetary policy. Chairwoman Yellen and her committee will have the tough job of tapping the brakes on economic growth, while weighing the financial impact of recent hurricanes and tax/regulatory policies being debated in Washington, D.C.