Stocks End April in the Green

First-quarter gross domestic product (GDP) grew at its slowest pace in three years, reflecting sluggish consumer spending and soft auto sales. GDP rose at a 0.7% annualized rate, after a 2.1% rate the previous quarter. However, Raymond James Chief Economist Scott Brown reminds us that it is "common to see a strong quarter of consumer spending followed by a soft quarter – the underlying trend appears to be moderate – so the subpar 1Q17 spending figures are not too troublesome."

All three major U.S. stock indices finished April in positive territory. The S&P 500 was up almost 1%, while the Dow Jones Industrial Average gained 1.34% for April, and closed just below its all-time high. The NASDAQ had the biggest gain, up 2.3%, while the Russell 2000 climbed just over 1% for the month.

	3/31/17 Close	4/28/17 Close	Change	Gain/Loss
DJIA	20,663.22	20,940.51	+277.29	+1.34%
NASDAQ	5,911.74	6,047.61	+135.87	+2.30%
S&P 500	2,362.72	2,384.20	+21.48	+0.91%
MSCI EAFE	1,792.98	1,833.70	+40.72	+2.27%
Russell 2000	1,385.92	1,400.43	+14.51	+1.05%
Bloomberg Barclays Aggregate Bond Index	1,992.51	2,007.89	+15.38	+0.77%

Equities performance reflects price returns as of 4:30 EDT (Barclays is as of 12 a.m.) on April 28, 2017.

In the broader picture, investors are paying attention to geopolitical concerns in Syria, North Korea and Afghanistan; as well as economic uncertainty in Europe, Asia and the emerging markets. Investors are also wary about the looming legislative battle over proposed tax cuts. In addition, international and domestic agreements, such as NAFTA and the Paris Climate Agreement, import taxes (such as aluminum import duty) and other issues are far from settled, explains Raymond James Senior Fixed Income Strategist Doug Drabik.

Here's a look at what else is going on in the economy and capital markets, as well as key factors we are keeping an eye on.

Economy

- Weak consumer spending growth in the first quarter is likely due to temporary factors, explains Brown. GDP growth has averaged 1% in the first quarter since 2000. Looking ahead, overall economic growth may be restrained by a tight job market.
- Inflation expectations are now at their lowest levels since the election.
- Expectations for further Federal Reserve target fund rate hikes are increasing. Bloomberg data show little chance of a hike in May, but forecasters are solidly convinced of another 25 basis point hike coming in June, according to Fixed Income Strategist Ben Streed.

Equities

- U.S. equity markets enjoyed a strong first quarter, and we have also seen strong earnings growth in Europe and some Asian markets despite some geopolitical uncertainty, according to Nicholas Lacy, Chief Portfolio Strategist of Raymond James Asset Management Services.
- Earnings forecasts are being revised higher for Europe, while domestic earnings forecasts are being revised lower. That provides support for investors owning non-U.S. equities, he said.
- Lacy believes that earnings will drive equity markets over time. As long as we have improved earnings, we should see equity markets improve, Lacy notes.

International

- European politics took center stage in April with the first round of the French presidential vote. Centrist Emmanuel Macron appears to be leading the run-off race against populist Marine Le Pen. The run-off is slated for May 7.
- The euro and European equities have enjoyed a surge on the news that the election is likely to swing away from anti-euro and populist sentiments, notes Chris Bailey, European strategist, Raymond James Euro Equities*.
- Brexit negotiations also began in earnest, although much work remains.
- European assets including the euro currency remain – despite recent positive moves and inflows from the global investment community – lowly valued versus their American equivalents, Bailey notes. Further recovery in 2017 seems reasonable, but deep challenges remain for 2018 and beyond.
- North Korean missile tests put many on heightened alert, although Asian markets remained relatively calm. Many investors believe that proposed Chinese economic sanctions combined with an American military presence may be enough to steer North Korea away from more provocative action.

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Fixed income

- The April announcement, void of detail, did little to stem the uncertainties surrounding the proposed federal tax code. We should get more details in June.

- The industry as a whole remains confident that the benefits tied to maintaining the tax-exempt status of municipal bonds will outweigh the minimal money raised from eliminating the tax exemption, Drabik notes.
- Bond markets continue to send a different message than equities. Bonds are pricing in moderate growth and inflation, while equities display much more optimism/bullishness, explains Ben Streed, Raymond James Fixed Income Strategist.
- Demand for fixed income products is strong year to date, notes Streed, and investment grade corporate bond issuance continues at a record-setting pace for the year.

Bottom line

- Moderate economic growth may appear disappointing, but we believe it's still a constructive environment for investors.

Please let me know if you have any questions about recent market events or how to position your long-term financial plan for the months ahead. I look forward to speaking with you.