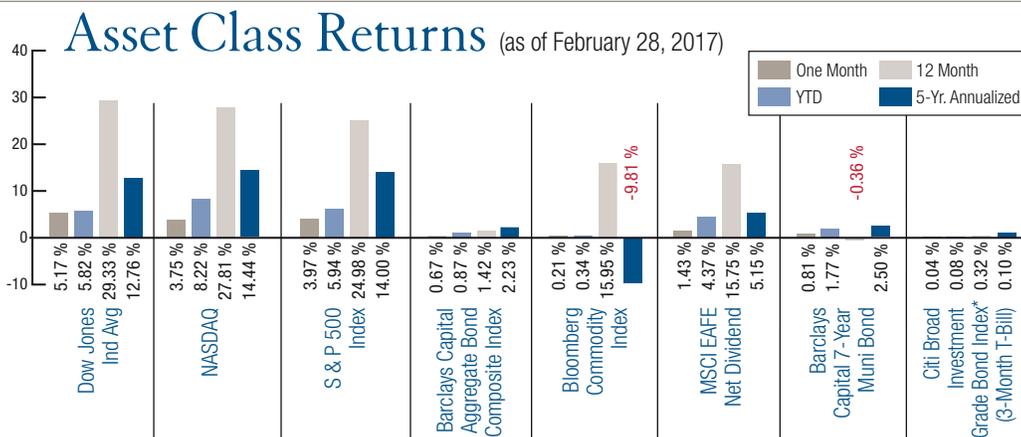


From the Office of:
Jeff Sgroi, CFP®



“Man’s mind, once stretched by a new idea,
never regains its original dimensions.”

– Oliver Wendell Holmes



Material prepared by Raymond, James for use by its Financial Advisors

Market/Economic Synopsis

- Treasury yields climb in anticipation of Fed rate hikes throughout 2017.
- Nationalist candidates gain momentum in foreign elections on heels of Brexit vote and Trump victory.
- Oil prices dip below \$50/barrel, in the face of OPEC intervention, over concerns of record U.S. stockpiles and increased production.
- Other commodities, including agriculture and metals, suffer recent weakness, due in part to lower growth expectations from China.
- Domestic equities continue “melt-up”; Dow Jones Industrial Average breaks 21,000 as information technology and healthcare sectors lead the way.
- U.S. Non-Farm Payrolls added 235K new jobs in February, dropping unemployment level to 4.7%.

Market Outlook

In this market letter, the focus is on data specific information. My sense is that in the past few months we have experienced pivotal tipping points – not just from a political standpoint, but also in the equity markets, fixed income markets, and interest rates. The focus here is on the financial and market perspective.

VALUATIONS

Valuations, like any other metric, simply provide guidance, not rules. That is, valuations can give us indications if markets are cheap, or expensive. They will not, however, tell us if they are getting cheaper or more expensive. Examining the valuations below, the trend has been for most of the equity markets to reach more expensive levels than we have seen in some time. Price/Earnings ratios are increasing, Price/Book ratios are increasing and Dividend Yields are decreasing.

Valuations	Historical Levels				
	Current	3Mo	6Mo	9Mo	1 Year
U.S. Valuations					
S&P 500 P/E Ratio*	21.10	19.86	19.79	19.45	17.74
S&P 500 P/B Ratio*	2.96	2.73	2.76	2.73	2.52
S&P 500 Div Yield	2.14	2.28	2.29	2.36	2.54
International Valuations					
MSCI EAFE P/E Ratio*	18.21	16.29	16.86	15.94	15.12
MSCI EAFE P/B Ratio*	1.63	1.56	1.54	1.52	1.43
MSCI EAFE Div Yield	3.53	3.65	3.66	3.68	3.79
MSCI EM P/E Ratio*	14.38	13.99	13.70	12.28	11.28
MSCI EM P/B Ratio*	1.60	1.53	1.55	1.39	1.32
MSCI EM Div Yield	3.13	3.43	3.49	3.78	3.66
MSCI Japan Lg P/E Ratio*	15.47	15.84	14.45	13.49	12.68
MSCI Japan Lg P/B Ratio*	1.35	1.37	1.24	1.20	1.13
MSCI Japan Lg Div Yield	2.27	2.36	2.59	2.46	2.52

*Trailing 12 months

Source: Raymond James

U.S. TREASURIES

Has the infallible 30 Year Treasury cracked? One year performance (as of March 10, 2017) has it pegged at a 7.42% loss, after decades of positive performance. With current yields, long term Treasuries (and other long bonds) may have had their best days behind them. A rising interest rate environment could validate those expectations.

U.S. Treasuries	Total Return (%)				
	1 Week	MTD	QTD	YTD	1 Year
Barclays US Trsy 3Mo	0.01	(0.03)	0.06	0.06	0.36
Barclays US Trsy 6Mo	(0.00)	(0.06)	0.08	0.08	0.60
Barclays US Trsy 2Yr	(0.07)	(0.23)	(0.03)	(0.03)	0.20
Barclays US Trsy 5Yr	(0.37)	(0.99)	(0.52)	(0.52)	(1.74)
Barclays US Trsy 10Yr	(0.73)	(1.89)	(0.99)	(0.99)	(4.31)
Barclays US Trsy 30Yr	(1.59)	(3.78)	(1.84)	(1.84)	(7.42)

Source: Raymond James

CURRENCIES

Trade and tariff wars are at the forefront of the news. As such, multi-national corporations must focus on currency movement, as it can impact bottom line figures, manufacturing decisions, sales focus and other critical decisions. Over the past year, the Pound Sterling and Brazilian Real have moved the most against the US Dollar, of those currencies shown below.

Currencies	Spot (USD)	% Change Over Period				
		1 Week	MTD	QTD	YTD	1 Year
Euro	0.94	0.89	0.29	1.03	1.03	(4.40)
Pound Sterling	0.82	(0.77)	(2.23)	(1.53)	(1.53)	(14.95)
Yen	114.96	(0.40)	(2.67)	1.46	1.46	(1.35)
Australian Dollar	1.33	(0.32)	(1.93)	4.13	4.13	1.25
Canadian Dollar	1.35	(0.39)	(1.66)	(0.43)	(0.43)	(1.02)
Swiss Franc	1.01	0.04	(0.87)	0.61	0.61	(2.23)
Brazilian Real	3.16	(0.44)	(1.41)	3.14	3.14	16.44
Yuan Renminbi	6.92	(0.25)	(0.69)	0.48	0.48	(5.79)

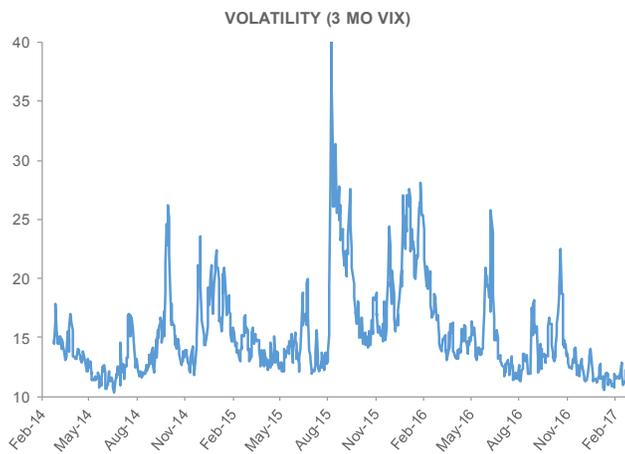
Spot price in USD terms. Performance data is against the USD in foreign currency terms.

Source: Raymond James

(continued)

VOLATILITY

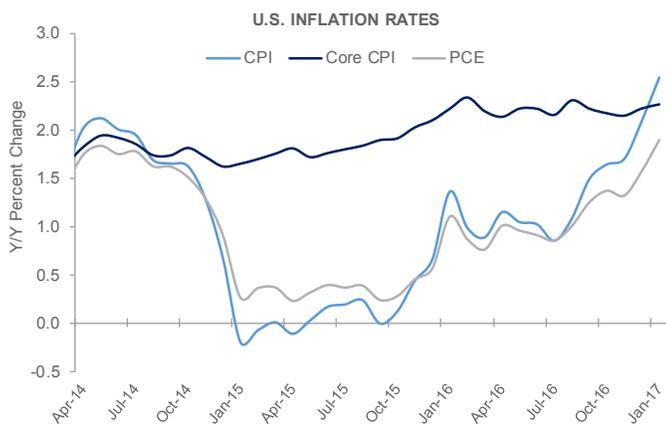
The VIX is a favorite measurement of equity market volatility. How much portfolio movement can we stomach to reach our desired result? Spikes in the VIX are often times an opportunity (i.e. buy low!!), while a low, and falling, VIX reading often corresponds with a rising market. As we see, spikes during the past two years have been sudden, yet short lived events.



Source: Morningstar

INFLATION

Inflation, in moderation, is indicative of a healthy, growing economy. Too much of a good thing can be worrisome, however. In the past eight years, we saw massive efforts by the Federal Reserve to “reflate” assets through quantitative easing, which has resulted in higher stock prices, higher fixed income prices, and higher real estate values. Wages, commodity prices and consumer goods values are all good indications of inflation. The graph below shows recent, robust movement in CPI, as one of those indicators.



Source: Raymond James

From the Officefront

As many of you are aware, there are substantial changes happening in the financial industry this year. Specifically, in April 2016, the Department of Labor released a 1,000-plus page ruling replacing the old ERISA definition of who is a fiduciary, expanding the category to include virtually every advisor or firm that gives advice to a retirement investor. The DOL defines retirement investors as participants or beneficiaries of an ERISA plan, IRA owners and plan sponsors. The DOL also includes owners of HSAs, MSAs, and Coverdell Education Savings Accounts. As such, the DOL ruling impacts many of you.

There has been a fair amount of confusion about the ruling for a number of reasons. It is a lengthy, unprecedented, ruling. There has been discussion of delay, or even repeal altogether, of the ruling (which as of the time of this writing, has not occurred). Additionally, different broker/dealer firms have prepared for, and are handling the DOL rule very differently.

April 10, 2017 is the scheduled date for implementation of initial DOL rules phasing in, followed by additional regulatory changes throughout 2017, until final components of the ruling go into effect January 1, 2018.

If the DOL ruling impacts you, your accounts, or the advisory relationship with our office, AND there are recommended steps from our office to address the DOL ruling, we have likely been in contact with you (or will be in the very near future). We want to communicate with you our understanding of the new regulation, all the while adhering to the new DOL standard. We welcome your questions as this process unfolds and look forward to serving you the best way possible.

From the Homefront

Here is Hannah, at her final day of ski school at Snowmass recently. With any luck, she will be skiing in the World Cup finals when they come back to Aspen in 20 years!



Index performance is shown for illustrative purposes only and does not reflect the deductions of fees, trading costs or other expenses, which will affect actual investment performance. You cannot invest directly in any index. Individual results may vary. Past performance is not a guarantee of future results. There is no assurance any of the forecasts mentioned will occur.

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The DJIA index covers 30 major NYSE industrial companies. The NASDAQ represents 4500 stocks traded over the counter. The S&P 500 is a broad based measurement of performance of 500 widely held common stocks. The Barclays Aggregate Bond Index is diversified index measuring approximately 6,000 investment grade, fixed rate taxable securities. The Bloomberg Commodity Index is a diversified benchmark for the commodity futures market. The MSCI EAFE index is designed to measure the equity market performance of developed markets excluding the US & Canada. The Barclays Municipal Bond Index is a measure of the long-term tax-exempt bond market with securities of investment grade. The Citigroup Broad Investment Grade Bond Index is market capitalization weighted and designed to track the performance of U.S. dollar-denominated bonds issued in the U.S. investment-grade bond market. VIX is the Chicago Board Options Exchange (CBOE)

Volatility Index, which shows the market’s expectation of 30-day volatility. It is constructed using the implied volatilities of a wide range of S&P 500 index options. It is a widely used measure of market risk.

International investing involves additional risks such as currency fluctuations, differing financial and accounting standards, and possible political and economic instability. Also, investing in emerging markets can be riskier than investing in well-established foreign markets. There is no assurance any of the trends mentioned will continue in the future. Investing involves risk and investors may incur a profit or a loss, including the loss of all principal. Investing in the energy sector involves special risks, including the potential adverse effects of state and federal regulation and may not be suitable for all investors.

U.S. government bonds and treasury bills are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. There is an inverse relationship between interest rate movements and bond prices. Generally, when interest rates rise, bond prices fall and when interest rates fall, bond prices generally rise. Commodities may be subject to greater volatility than investments in traditional securities. Investments in commodities may be affected by overall market movements, changes in interest rates, and other factors such as weather, disease, embargoes, and international economic and political developments. Diversification and asset allocation do not ensure a profit or protect against a loss. Dividends are not guaranteed and must be authorized by the company’s board of directors.

If you prefer to receive this newsletter via email, please notify us at jeff.sgroi@raymondjames.com.