



CORRIGAN FINANCIAL, INC.

## Market Update: April 2017

Thanks to strong corporate earnings, U.S. stocks advanced just over 1% during April and are up nearly 7% year-to-date. With about 75% of S&P 500 companies beating expectations, first quarter earnings are on track to rise 12.5% from the prior year. Foreign stocks continue to lead the pack, with gains of over 2% for the month and 10% year-to-date.

History shows that the economy and markets have a bigger impact on politics than the other way around. One risk for investors in 2017 may be putting too much emphasis on political risk - in the United States and globally. On a daily basis, political headlines can nudge stocks markets one way or another, but the gains over the past year are really less about politics and more about stronger global growth.

Liz Ann Sonders, Charles Schwab & Co. - 4/28/17

Eurozone markets rallied after the first round (April 23) of presidential elections in France. In the second round (May 7) it is expected that centrist candidate Emmanuel Macron will defeat Marine Le Pen. Ms. Le Pen has pledged to take France out of the euro (Frexit), and her defeat would stem the advancement of nationalism that could potentially jeopardize the European Union.

Eurozone inflation reached 1.9% in April, just shy of the 2% target set by the European Central Bank. The inflation rise exceeded expectations and is a welcome change to the more recent deflationary pressures.

European growth is the best it's been since the global financial crisis. The combination of supportive financial conditions and a solid economy should boost equities and credit markets in the region.

Robert Waldner, Invesco - WSJ 4/30/17

Since the election, the Dow Jones Industrial Average has gone from 18,000 to around 21,000. This increase of approximately 16% equates to nearly \$4 trillion of additional wealth for investors. Rising stock prices have been attributed to the prospects for

lower corporate tax rates, as well as broad regulatory relief. Still, after the first 100 days of Donald Trump's presidency, none of his major agenda initiatives have yet to be fulfilled.

Even before Donald Trump's inauguration, he had already accomplished something that bedeviled his predecessor, President Barack Obama, for eight years: awakening the economy's "animal spirit". The question many observers ask is whether the optimism marks the beginning of a new era for the U.S. economy, or whether it will prove a fleeting moment of false promise.

Josh Zumbrun - WSJ 4/27/17

Other news from the economic front:

- The U.S. economy grew by only 0.7% in the first quarter of 2017, the slowest pace in three years. Most economists expect growth, as measured by gross domestic product (GDP), to reach 3 or 4% in the second quarter ... before settling back to the 2% trend established over the past 8 years.
- U.S. wages and benefits rose during the first quarter at the fastest pace since 2007.
- The yield on the 10-year Treasury note ended April at 2.282%, down by 0.114% for the month.
- Strong demand and low supply are pushing up housing prices twice as fast as wage growth. Home prices rose 5.8% in February, putting prices nearly 40% above the lows reached at the bottom of the housing crisis. Incomes during the same period rose by only 12% according to the Labor Department.
- For the first time in a decade, the number of new homeowners outpaced the number of new renters. According to the Census Bureau, over 850,000 new-owner households were formed in the first quarter, more than double the number of new-renter households formed.



The Nasdaq Composite Index broke through the 6000 level in April, setting yet another record. Breaking above that level certainly brings back some interesting memories.

It was March of 2000 when the high of 5048 was reached during the technology stock bubble:

*That night, two market experts were being interviewed on CNBC. The question was asked, "What are the chances of the Index hitting 5500?" Both elected to answer the question using basketball analogies. The first*

*answered, "It's a layup." The second, not to be outdone, answered confidently, "It's a slam-dunk!"*

Funny, but I remember that interview like it happened yesterday. Needless to say, the Index did reach 5500, but only after 17 years had passed! In fact, adjusted for inflation, the Index would still be off its record high by about 17 percent.

Stay focused on what you can control, and try not to get caught up in all the daily market noise. Markets go up, and they go down. But they do go up more often ... that's why we invest in stocks.

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