While the rally in equity prices continues, the fuel powering the climb has broader support than what is inevitably headlined as the Trump rally. Granted there is a strong correlation between the election date and a sharp rise in equity prices. A general move lower during March was certainly influenced by the splintering of republican unity - with divided views on Trumpcare, infrastructure spending and tax reform. Behind the political headlines are increasingly improving corporate earnings through 2106, generally the final word with equities. Add to this core support strong consumer sentiment. Americans are more confident about their financial state, with an increase in the March *University of Michigan current conditions gauge* resulting in an 11 year high. Pending home sales for February vaulted 5.5%, possibly driven by a desire to lock in mortgage rates before anticipated rate increases/ yield increases on the 10 year bond. It is near certainty that we will have higher rates as we proceed through the next several years. Normalization of rates will take a long while, but the process is irrevocably underway. Global trade is advancing at the fastest clip in seven years. The euro zone continues flat, while China is persisting on the path to continued robust manufacturing gains.

There is always the counter point to be made when an overall picture looks positive. Negative factors at some point have the task of disrupting optimism. Expect volatility to the downside at some point during 2017. I will be monitoring any factors that might create discounts in market prices. Attention to the magnitude and duration of any move lower is critical while evaluating allocation. History has repeatedly taught us that market corrections, no matter the depth or duration – are transitory. History of course cannot provide a guarantee for future events. That said, the past does tend to repeat. A simplified view, but one that is too often neglected in the panic of a correction, or the euphoria of rapidly increasing share prices.

It appears that tax reform will have more difficulty in passing than anticipated. Complexities associated with individual / corporate tax rates, a border adjustment tax and a general resistance in Washington name just a few of the obstacles. Major tax reform has not passed in decades. Add a potentially overly optimistic outlook for GDP during the first quarter of 2017, flattening net operating income for commercial real estate coupled with rising rates, historically large short positions in bonds and excessive margin borrowing for equities. The mix suggests uncertainty which has in my opinion not yet fully priced into equity/ fixed income prices.

The Federal Reserve remains a vital wildcard; a third slot will be opening up on the board of governors when Daniel Tarullo resigns April 5th. *Chair* Janet Yellen term ends as February 2018 and *Vice Chair* Stanley Fischer in June 2018. Both are also governors of the Federal Reserve Board and hold the option to remain in that capacity. Those terms will not expire until 2024 and 2020 respectively. This option if exercised may confound President Trump's efforts to reorganize the Federal Reserve Board of Governor's positions.

Earnings for Q1 2017 will initiate in earnest during late April, providing critical information on global growth, earnings growth and guidance. Further political clarity or lack of will also be in the forefront for equity and fixed income prices. Please phone or email anytime, as I look forward to assisting with asset allocation and management to the best of my abilities. Thank you!

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