We cannot recall the last time we faced challenges in the finalization of this market commentary due to a rapid and steady flow of news to begin a new quarter. Focusing on the economic landscape is a bigger task during major news events such as the continued testing of ballistic nuclear missile capabilities by North Korea and the recent bombing by US forces in Syria. We believe such events have the potential to drive short-term market volatility, but we also appreciate the possible real impact they may have on the direction of global economies and corporate fundamentals.

As companies closed out their financial reporting for 2016, we are now able to see projected earnings from the current fiscal year into the following fiscal year of 2018. Based on updated fundamentals, we have raised our support level from 17,550 to 18,500 as measured by the DJIA. As domestic markets hit new highs during the first quarter, we believe downside risk has improved given our revision in the support level, although upside potential remains limited. We continue to believe that any market correction would be part of a healthy trading pattern because of a steady, positive economic outlook.

Recent employment news was somewhat mixed but many analysts believe the reported figures will not deter the expected path of interest rates for this year. We did observe a positive turnaround in interest sensitive investments during the first quarter prior to some softening in March when the Fed expectedly raised rates. Since then, the yield on the 10 year note has pulled back from a spike of 2.6% to recent levels below 2.4%. This has allowed asset classes/sectors such as REIT’s and utilities to maintain current levels off recent lows. After the “no vote” on the bill to repeal and replace Obamacare, doubt surrounding the current administration’s ability to drive domestic GDP growth may be contributing to a narrow range for both yields and the stock market. Of course, another factor on the horizon that will influence markets is the Fed’s announcement that it would like to unwind, sooner than later, the significant portfolio of bonds accumulated during Quantitative Easing. This will be monitored closely.

As domestic stock market levels remain near recent highs, it continues to be a challenge to identify areas where attractive upside potential exists. This contributes to our belief that dividend yielding/value stocks should continue to represent the core of equity investments even though we anticipate that growth stocks will outperform should the economy gain steam. The income component of total return is key when upside resistance is encountered. Holding vehicles that provide such income, either through dividends or interest, often delivers downside protection during market corrections. As recommended every quarter, please reach out to your consultant should you have any questions regarding your investment portfolio or changes to your financial plan.

Finally, it is hard to believe how quickly we have reached our 5-year anniversary. Words cannot express our gratitude to you, our clients, and to our colleagues for making our first five years successful beyond expectations. Ellis cannot be what it is today without you. As a firm, our commitment to our clients drives us and new client relationships are the basis for our growth. Knowing that many of our new clients are referrals from existing clients, we would like to thank you for your support.