



**North Star Resource Group**  
*Changing Lives, Forever®*

## MARKET UPDATE Quarter 1, 2017

Equities produced solid gains for the quarter adding to the strong gains produced in 2016 and extending the eight-year long bull market. With talk of a “Trump Bump,” there is much to be seen regarding the impact of potential tax reform, changes to health care or additional spending on infrastructure and impact on the equity markets. Policy changes can take time and even when implemented their impact can take even longer to trickle through the economy.

For the quarter, large company stocks (S&P 500) increased 6.07% while small company stocks (Russell 2000) increased 2.47%. The weakest sectors were financials and real estate while technology, health care and consumer cyclicals were the strongest sectors of the economy.

Foreign stock markets in aggregate increased in the 1st quarter along with a weakening of the U.S. dollar. A decrease in value of the U.S. dollar enhances returns when investing in foreign securities while an increase in the dollar’s value reduces returns for U.S. investors holding foreign securities. For the quarter the MSCI EAFE Index (in U.S. dollars) increased 7.25% while the MSCI EAFE Index (in local currency) increased 4.71%.

The demand for intermediate and long-term Treasuries increased during the quarter pushing yields lower with higher bond prices (bond yields move inversely to bond prices). At the same time short-term yields have fallen resulting in the flattening of the U.S. Treasury yield curve. For the quarter the Barclays U.S. Aggregate bond index (a blended composite) increased 0.85%.

On March 15 the Federal Open Market Committee increased the target range for the federal funds rate to  $\frac{3}{4}$  to 1%, stating that the Committee expects that with gradual adjustments “economic activity will expand at a moderate pace, labor market conditions will strengthen somewhat further, and inflation will stabilize around 2 percent over the medium term.”

Taking the long view we continue to believe that globally diversified stock and bond portfolios and disciplined investment strategies can continue to provide opportunities for those investors looking for growth.

I welcome your input and as always, should you have any questions or concerns, or if there is a change in your investment time horizon or financial circumstances, please contact me at your earliest convenience.

Written and provided courtesy of North Star Resource Group.

Average Annual Returns for Periods Ending 3/31/17						
Index	1st Q	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
S&P 500	6.07%	6.07%	17.17%	10.37%	13.30%	7.51%
Russell 2000	2.47%	2.47%	26.22%	7.22%	12.35%	7.12%
MSCI EAFE (U.S. dollars)	7.25%	7.25%	11.67%	0.50%	5.83%	1.05%
Barclays US Aggregate Bond	0.85%	0.85%	0.49%	2.65%	2.35%	4.29%
Benchmark Composites	1st Q	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs
Aggressive Growth	5.52%	5.52%	17.78%	6.62%	10.82%	5.47%
Growth	4.60%	4.60%	14.27%	5.73%	9.05%	5.17%
Conservative Growth	3.86%	3.86%	10.30%	4.99%	7.33%	4.89%
Income and Growth	2.94%	2.94%	6.79%	4.10%	5.56%	4.59%
Income	1.95%	1.95%	3.55%	3.70%	4.17%	4.61%

You cannot invest directly in an index. Indices do not have expenses, which would reduce returns. Past performance is not indicative of future results. The S&P 500 Index measures the performance of large capitalization U.S. stocks. The S&P 500 is a market-value-weighted index of 500 stocks that are traded on the NYSE, AMEX and NASDAQ. The weightings make each company's influence on the Index's performance directly proportional to the company's value. The Russell 2000 Index measures the total return of small capitalization U.S. stocks. The Russell 2000 is a market-value-weighted index of the 2,000 smallest stocks in the broad-market Russell 3000 Index. These securities are traded on the NYSE, AMEX and NASDAQ. Investments in smaller company and micro-cap stocks generally carry a higher level of volatility and risk over the short term. The MSCI EAFE Index is the Morgan Stanley Capital International Index and is designed to measure the total return of the developed stock markets of Europe, Australia and the Far East. Investment risks associated with international investing, in addition to other risks, include currency fluctuations, political and economic instability and differences in accounting standards when investing in foreign markets. The Barclays US Aggregate Bond Index is a market-weighted index that includes U.S. government, corporate, and mortgage-backed securities, rated investment grade or higher, with maturities up to 10 years. Investments in fixed income securities are subject to interest rate risk and, as such, the net asset value of bond and real estate funds will fall as interest rates rise. The Benchmark Composite returns are a weighted average of index data comprised in the following manner. Aggressive Growth is 45% S&P 500, 25% Russell 2000 and 30% MSCI EAFE. Growth is 35% S&P 500, 20% Russell 2000, 25% MSCI EAFE and 20% Barclays US Aggregate Bond. Conservative Growth is 30% S&P 500, 10% Russell 2000, 20% MSCI EAFE and 40% Barclays US Aggregate Bond. Income and Growth is 20% S&P 500, 5% Russell 2000, 15% MSCI EAFE and 60% Barclays US Aggregate Bond. Income is 15% S&P 500, 5% MSCI EAFE and 80% Barclays US Aggregate Bond.

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Sources: Bloomberg, First Trust, Morningstar and the Federal Reserve Board