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"Moving Higher"

Over the past century the stock market tends to rise around seven years and decline around three years over ten year periods. These trends reinforce why it is so important to focus on the long term when investing. We continue to encourage investors to focus on dividends. Since the year 2000, dividends have represented nearly 50% of stock market total returns.

Randall Forsyth published an article titled "Ed of the Class" in which he interviewed economist Ed Hyman. Ed, who is employed by investment-banking firm Evercore International Strategy and Investment (ISI), has been voted Wall Street's top economist for 36 of the past 41 years in Institutional Investor's annual poll. Ed sees cities around the U.S. "booming," including smaller ones away from the megalopolises on the coasts. And that's better for Main Street than Wall Street.

As Ed travels the country he's finding that almost every place is doing really well tallying 48 cities, including Chicago, Nashville, Phoenix, Salt Lake City, Sioux Falls, Fort Wayne, New York, Boston and Detroit.

To gauge how business is doing, Evercore ISI conducts about 40 different proprietary surveys of companies such as employment agencies, truckers and home builders. Evercore ISI's surveys were trending higher well ahead of last year's election forecasting gross domestic product growth of 1.5%. Now, the model points to 3% growth, bolstered by tight credit spreads and high consumer net worth.

He sees some big growth areas in healthcare, higher education and sports. The other trend that Ed sees is the emergence of millennials. They are moving out of their parent's basements getting jobs and apartments. Millennials' employment is growing at 3% while everything else is growing 1%.

The following is commentary from BlackRock's *Quarterly Investment Outlook* **"Investor To-Dos for the Second Quarter"**:

Since the start of the year, reflation has continued to reshape the economic landscape, presenting new opportunities and risks for investors. Here we outline concrete actions to consider in light of this theme and others, building upon the insights shared in our Q2 Investment Outlook.

Readying Portfolios for Reflation

Broadening reflation and an accompanying rise in bond yields means fixed income investing is likely to get more difficult over the coming quarters. In fact, seemingly commonsense solutions for a rising-rate world (such as short-duration strategies, floating rate securities and inflation-protected Treasuries) may not play nicely when combined and can carry risks of their own that must be weighed.

Also worth noting: Interest rate risk doesn't live in bond portfolios alone. High-dividend stocks may trade more like fixed income should yields surge, which contributes to our preference for dividend-growth stocks over the high-yielding bond proxies.

Eyeing the international opportunity

While reflationary forces are weighing on returns across much of the fixed income universe, they may be bolstering the outlook for equities, particularly those outside the U.S.

U.S. stocks surged after the November election in anticipation of sweeping fiscal expansion and regulatory reform. However, hopes for a speedy passage have receded, leaving U.S. equities beached near all-time highs. Concurrently, Europe and Japan have staged stealthier economic recoveries and, rather than trading on tough to parse signals from Congress, their respective markets have notched gains on the back of strong earnings momentum. Despite these compelling fundamentals, investor enthusiasm has been surprisingly lackluster.

Looking to Europe, in particular, political worries have investors stuck on the sidelines. But while concerns around the prospect of an anti-establishment win in the forthcoming French presidential election are valid, polls suggest this outcome is looking unlikely. Should markets shake off these fears as polls more definitively suggest a win by a mainstream candidate, early movers in European stocks could benefit from market acknowledgment of underlying economic progress.

Low returns ahead

On paper, economic growth is easy enough to cook up. Only three ingredients required: a growing labor force, investment spending and productivity. Blend to taste. Reality is a different story, however. Growth across much of the developed world remains restrained by an aging population and stagnant productivity growth that is capping longer-term market return potential. Emerging markets (EMs), however, may still represent a comparative bright spot.

Our overweight to emerging market equities is a longstanding one, but we think the opportunity is particularly apparent today. As in much of the world, reflation is proving a catalyst. A rebound in EM growth, solid consumer demand, strong purchasing data and impressive price discipline among resource producers suggest a turnaround is afoot after years of underperformance.

Diversify differently

Lower, generally less stable correlations across asset classes could challenge investors looking to perform one of their most critical tasks: diversifying their portfolios in a thorough and thoughtful manner. One of the most arresting data points surfaced in our Quarterly Investment Outlook was a sharp downshift seen in cross-asset correlations. This suggests that trusted relationships relied upon to manage overall portfolio risk are looking less dependable.

In a world in which a simple blend of U.S. stocks and high-quality bonds may no longer give the diversification benefits sought, more breadth may be needed in portfolios to help tamp down tough-to-reduce risks. For example, moving beyond U.S. stocks looks prudent not just from a valuation and economic standpoint, but from a risk management perspective, as well. A hypothetical scenario: Derailment of a sweeping corporate tax reform package could ding U.S. stocks, but might leave international equities comparatively unscathed. Similarly, bond investors may want exposure to markets where central banks look poised to maintain a more accommodative stance than the Federal Reserve.

In a world where traditional diversification or asset allocation models might not suffice, investors may want to expand their asset allocation toolkit and embrace factor strategies. In this reflationary environment, we believe the value factor is potentially well-positioned, offering another tilt for growth-seeking investors to explore.

In the April 2017 edition Fidelity Viewpoints of *Washington Watch*: **"What's Next for Investors"** Jurrien Timmer, Director of Global Macro at Fidelity, discusses taxes, deregulation, and infrastructure and what they may mean for markets.

After the November election, stocks rallied amid expectations that the fiscal agenda discussed by then-President-elect Trump on the campaign trail would lead to stronger economic growth. Small-cap stocks were among the best performers. Investors expected that Trump policies would include regulatory and tax reforms, and that those reforms would greatly benefit smaller companies that have faced headwinds from regulatory hurdles and tax burdens.

That rally carried through mid-December. It appeared that the stock market was meeting the Trump Administration halfway. While stocks rallied after the election, investors needed to see results before pushing them higher based on those expectations for stronger growth. And so far, those results haven't come as quickly as many have hoped.

However, the stock market is driven by more than what the Trump Administration does or does not accomplish: In recent weeks, stocks have continued to climb amid a global stock market upturn. Still, the financial markets responded to the failure of health care reform.

The glass-half-full view of the health care failure, which I believe the market is coming around to, is that it creates much more bandwidth for Congress to deal with tax reform. If health care reform had passed, it would have taken up much of the calendar that can now be spent trying to get tax reform in the 2018 fiscal year budget. But skepticism remains, and the market's reaction to any tax reform bill will, of course, depend on what's in it.

Will lower corporate tax rates be offset by a tax repatriation program and a border tax adjustment? And will the Trump Administration elect to shift from individual tax reform to a tax relief program, which may make it easier to push through Congress?

New Policies Could Help Cyclical Sectors

Corporate Tax Reform. Historically, corporate tax reform has boosted corporate profits by an average of 10% to 15%.* The benefits typically start the year prior to reform, as profits and investment spending often improve amid rising corporate confidence. Historically, lower corporate taxes have most often benefited cyclical sectors like consumer discretionary, energy, and materials, although consumer staples has been impacted as well.

Regulatory reform. Investors expect deregulation in the financial sector, which likely would lead to more willingness among banks to lend. History has shown that loosening banking regulations often leads to accelerated loan growth over the following 12 months. That improved loan growth tends to benefit the financials and consumer discretionary sectors the most.

Fiscal stimulus. This may include increased spending on infrastructure and defense, and also a reduction in personal tax rates. Generally, fiscal stimulus tends to favor more cyclical sectors, but the impact largely depends on the details of the stimulus program. For instance, higher infrastructure spending would probably benefit companies in the industrials and materials sectors—from the makers of heavy machinery to the mining companies that provide metals to the construction industry.

HEALTH AND NUTRITION

HOW TO HELP A LOVED ONE WITH ALZHEIMER'S DISEASE

Alzheimer's is a slowly progressing disease. It starts with mild memory loss and ends with severe brain damage.

As Alzheimer's progresses, the changes become more noticeable. Patients will need more help with day-to-day living. They may need to be reminded about eating, washing or changing clothes. They may fail to recognize people or confuse them with others. They may become easily upset, frustrated or aggressive.

There is currently no cure for Alzheimer's. But some drug treatments may ease the symptoms or slow the disease's progress among people with mild or moderate dementia. When caring for someone with Alzheimer's, it is good to try to help the patient live as independently as possible for as long as possible. Although you may be tempted to do things for them, people with dementia are more likely to retain a sense of self-worth if they are given the chance to do things on their own. You can help by providing support if necessary, including emotional support and reassurance.

Research has indicated that lifestyle changes can lessen the chances of developing the disease or delay its onset. The Alzheimer's Association's "Maintain Your Brain" campaign advocates physical and mental exercise, good nutrition and generally healthy habits.

Because Alzheimer's involves a predictable decline in a person's mental capacity, it is important to use the time wisely before you or your loved one is no longer able to make important decisions.

Consider taking these steps soon:

- **Advance directive** – A power of attorney will allow someone else to make key decisions regarding financial and estate planning. A health care proxy will empower family members or close friends to make health care decisions as needed.

- **Estate inventory** – Before conducting estate planning, take an inventory of the resources available, including income and assets, health insurance and community resources.

- **Estate planning** – Have an estate planning expert create or update a will and other estate planning documents such as a living will or trust.

We hope that you are having a good start to the Spring season. We look forward to talking to you soon.

Sincerely,

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