VAN LEEUWEN & COMPANY, LLC

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## QUARTERLY NEWSLETTER

We begin 2017 with cautious optimism. U.S. stocks rallied on optimistic investor sentiment as global economic data has beaten the expectations. The economy continues to do well as earnings and revenues grow. This comes after five consecutive quarters of negative earnings growth. President Trump's agenda focuses on comprehensive tax reform, fiscal stimulus and deregulation which will have the potential to grow the U.S. economy. Time will tell whether or not President Trump's strategic plans will be beneficial for the country. Until then, Van Leeuwen & Company remains steadfast in our objective to take advantage of opportunities presented in the market.

## KEY POINTS

- ✓ DONALD J. TRUMP TOOK THE OATH AS THE 45TH PRESIDENT OF THE UNITED STATES
- ✓ STOCKS RALLIED IN THE 1ST QUARTER BASED ON THE IMPROVING GLOBAL ECONOMY
- ✓ OIL PRICES SUFFER AS OIL INVENTORIES INCREASED AT A FASTER RATE THAN EXPECTED
- ✓ FEDERAL RESERVE RAISES INTEREST RATES
- ✓ U.S. DOLLAR CONTINUED TO GAIN STRENGTH

## FACTORS INFLUENCING GLOBAL MARKETS

**U.S. stocks rallied in the 1st quarter.** Largely on expectations that President Trump's administration will be able to move forward with tax reform, deregulation and infrastructure spending policies, all of which are considered pro-growth. Even if expectations are not met, the financial underpinnings of the U.S. economy are strong and will drive growth.

**The Barclays U.S. Aggregate Bond Index remained positive in the 1st quarter.** In March, the Federal Reserve raised rates for the 1st time in 2017. After the rate hike, Treasury yields declined causing an uptick in the price of bonds. We still find value in less interest rate sensitive investments because we think that rates will rise throughout 2017.

**European stocks continued to rally in the 1st quarter.** Strong economic indicators throughout Europe provided a backdrop for improving growth. We are keeping a close eye on upcoming key elections because unfavorable results could significantly affect that area of the world.

**Declining crude oil prices put pressure on energy stocks.** Prices fell as oil inventories and production in the U.S. increased at a faster rate than expected. The increased production offset some of the cuts that OPEC implemented. Worldwide oil inventory supplies continue to rise and there maybe volatility in the oil sector until production levels equalize.

**The U.S. dollar continues to gain strength against foreign currencies.** The U.S. economy has continued to grow at a steady pace and we anticipate the growth continuing through 2017. In addition, there are uncertainties in foreign currency, primarily in China, Japan and the Eurozone, that are increasing relative to the U.S. dollar.

**Emerging Markets had one of the best performing quarters we have seen for some time.** Despite some struggles in specific areas of the world, emerging markets stocks continue to climb. This uptick in performance comes off of several years where these areas of the world have struggled. We remain cautious that these markets will see increased volatility going forward.

## LOOKING AHEAD

We anticipate that the U.S. economy will continue to grow as Wall Street and investors remain optimistic. Indicators supporting a strong economy have been seen with a potential deregulation and infrastructure spending, along with the anticipation of lower taxes. Additionally, consumer spending and consumer confidence continues to gain strength. Over the coming years, we believe the U.S. will continue to experience job growth across all occupations. The recent post-election bump in inflation reflects the potential for fiscal stimulus in the form of tax cuts and spending, both of which would likely result in higher inflation if passed through Congress. With an uptick in inflation, and the promise of fiscal stimulus, the stage has been set for gradual interest rate increases throughout 2017.