

KEY POINTS

- Market Gains Continue
- Tensions Mount with North Korea
- Federal Reserve Maintains Target Inflation

The calendar says Fall, but the moderate temperatures here in the Northeast have people holding on to the last days of summer. They are also holding onto and enjoying the continued growth in the financial markets which are hitting new highs. This momentum has not been seen since the Great Recession. The U.S. economy, as measured by the GDP has expanded 3.1% year-to-date, better than expected and faster. All very good news.

MARKET UPDATE

This quarter investors were rewarded for their willingness to stay the course and make sound investment decisions for the long-term. Year-to-date U.S. stocks performed well with the S&P 500 up 14.2%, the Nasdaq up 20.67%, and the bond market, as measured by the Barclays U.S. Aggregate Bond Index was up 3.14%. Globally, markets were also strong performing well with the MSCI EAFE Index up 20.5% and MSCI Emerging Market Index up 28.1%. Oil prices for the quarter are recovering up 9.40% at \$51.67 per barrel. The U.S. dollar recovered slightly this quarter, 4% versus the Euro and 0.81% versus the Yen. With markets advancing, speculation is swirling that valuations are overextended and a pullback is near, leading to pessimism and a strategy to move to cash. If we were to take a page from our history books, we would know that pullbacks in the market happen from time-to-time and should be viewed as customary. What we know, is that historically those willing to accept risk and volatility have been rewarded for their patience. At Van Leeuwen & Company, we continue to reinforce our position by taking a longer term view. When it comes to our investment philosophy coupled with sound planning, it is the prudent approach.

WASHINGTON UPDATE

The political tenor in Washington is as negative as anyone can remember. The positive news is that markets are not reacting to everything President Trump is saying but instead they are focusing on real actions. While the Administration has unsuccessfully attempted to dismantle the Affordable Care Act, the Trump administration has been successful in rewinding regulatory actions initially taken during the Obama administration, and the markets are reacting favorably to them. With the focus now turned to tax reform, the most ambitious in decades, Republicans are working together to overhaul the system with a promise to boost American economic growth. One thing to watch closely is the proposal to remove state and local income and property taxes as deductions on federal returns, primarily affecting New York, California, New Jersey and Connecticut residents. If passed, there may be significant tax planning decisions to be made.

FACTORS INFLUENCING MARKETS

Three unprecedented hurricanes hit the U.S. in 30 days. The U.S. has never been hit by two, let alone three, CAT 4 hurricanes or stronger during a given hurricane season. Damage to Texas, Florida and Puerto Rico will be measured in months, with some areas taking a minimum of 3 years before a full recovery. The latest projections are at least \$200 billion in damage and lost productivity. However, the long-term effects are still unknown. Insurance and cash relief may fuel mass purchases of goods and materials lifting the GDP - boosting businesses that will help to rebuild.

Tensions between U.S. and North Korea continue to fester. The U.S. and North Korea are having a war of words and the fear is that it will escalate. Each side provoking the other, most notably North Korea's recent inter-continental ballistic missile tests. As a show of force, the U.S., in conjunction with South Korea, conducted scheduled "war games" very near the North Korean border. The tension between the two countries continues to be a threat to an otherwise stable market. And a full-scale war appears unlikely, but even a small-scale clash, could rattle global markets.

Trade issues with China escalate. The U.S. has been putting pressure on China regarding the enforcement of sanctions against North Korea. This has intensified an already strained trade relationship with the second biggest economy in the world. America's trade deficit with China far outweighs our deficits with other nations. This gives China the ability to negotiate from a position of power. This high stakes game culminates with America's belief that China isn't cooperating regarding global trade issues.

Federal Reserve (The Fed) Maintains Target Inflation. The U.S. economy continues to gain strength and employment numbers have been strong. The Fed anticipates raising rates for the third time by year-end, and continues to maintain their goal of 2% inflation. In October, the Fed will begin to reduce its holdings by \$10 billion per month, and will gradually raise that amount to \$50 billion, a move that indicates economic expansion. This is an unprecedented move by the Fed, and they will have to move cautiously in order not to disrupt the marketplace. We are watching the Fed's actions closely and will act as necessary.

Looking Ahead

Market appreciation and economic growth has come a long way since the financial crisis of 2008. During President Trump's short time in office, he is experiencing a Washington that moves at its own pace. It's important that we acknowledge the impact of current events, but our primary focus is always on finding fundamentally sound investments which seek to thrive in different economic environments, such as changes in inflation, interest rates, or unemployment. The fundamental backdrop of the economy looks strong, and economic indicators suggest that the potential for recession this year or next year is very low. Today, geopolitical concerns and headlines often distract investors from a long term investment strategy. We will continue to monitor the influencing factors, and assess how they may impact your portfolio and what, if any, changes should be made.

HAPPENINGS AT VAN LEEUWEN & COMPANY

Welcome Judy DeFazio

Please join us in welcoming Judy DeFazio. Judy joins Van Leeuwen & Company with over 30 years' experience, most recently as the Senior Managing Director and Partner for ISI Group, a broker-dealer based in New York. During her time with ISI, she held a number of management roles in Human Resources, Trading Operations, Administration, Facilities and Technology. Judy will work closely with Ken as his Executive Assistant responsible for a broad variety of administrative tasks that include managing his calendar, arranging complex and detailed travel plans, preparing correspondence, and liaising with team members on a variety of projects. She also assists the team with the scheduling and preparation of client meetings. In addition, Judy is responsible for maintaining vendor relationships and office supply management. Judy is married, lives in Princeton, NJ and has two grown children. She enjoys keeping up with the latest trends in fashion, residential architecture and home décor. A favorite quote of Judy's by Benjamin Franklin is *"By failing to prepare, you are preparing to fail."*

It's Been One Year!

We can hardly believe that Van Leeuwen & Company has been in our new location for one year this October. All of our boxes are unpacked and we are settled in. Should your schedule permit, we look forward to hosting you here at the office in the coming months.

Let Us Know What You Think

As part of our ongoing communication, we invite you to share your comments regarding the Newsletter by visiting info@vanleeuwenco.com.

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