

Key Points

Tax Reform - Best S&P 500 Gain in Eight Years – New Federal Reserve Chair - Corporate Earnings Growth

This year was like none we have ever experienced. We swore in our 45th President of the United States and learned about his own unique style of leadership. The U.S. economy gained strength with the S&P 500 experiencing its best gain since 2013. In 2017 we created 2.1 million jobs and modestly increased monthly wages. The elections in France were contentious and the world continued to watch North Korea. We saw the best of humanity with neighbors helping neighbors during hurricane disaster relief efforts in Texas, Florida and Puerto Rico.

As always, Van Leeuwen & Company wishes to *Thank You* for your continued trust and partnership, welcoming us into your lives and allowing us to help you and your family. We thank you for believing in us and sharing your positive experiences with Van Leeuwen & Company to your closest family and friends. We are encouraged about the future and we look forward to continuing to work together.

MARKET UPDATE

Domestically the S&P 500 Index, NASDAQ Composite Index, and the Barclays U.S. Aggregate Bond Index were all up this quarter finishing the year on a positive note.

Market	1 st Qtr. Performance	2 nd Qtr. Performance	3 rd Qtr. Performance	4 th Qtr. Performance	Year-End ¹ Performance
S&P 500 Index	6.07%	3.09%	4.48%	6.64%	21.83%
NASDAQ Composite Index	10.13%	4.16%	6.06%	6.55%	29.64%
Barclays U.S. Aggregate Bond Index	0.82%	1.45%	0.85%	0.39%	3.54%
MSCI EAFE Index	7.25%	6.12%	5.40%	4.23%	25.04%
MSCI Emerging Market Index	11.45%	6.27%	7.89%	7.01%	34.24%

¹ Quarterly returns are compounded and will not equal the total year-end performance.

Economic indicators, such as new housing construction, consumer confidence, and income and wages remained high in the 4th quarter helping to drive market returns. For example, consumer confidence hit an all-time high, not seen in 17 years, with early holiday sales reports mostly strong, especially online. The fact many Americans will see reduced tax withholdings in early 2018 should aid consumer spending going forward when GDP growth could average 3%. One caveat is the likelihood that tax law changes may lessen the appeal of home ownership – especially in high-tax states. Global markets also performed well.

Oil prices for the quarter continued to recover, finishing the year at \$60.42 per barrel of West Texas Intermediate Crude (WTI). The U.S. dollar declined slightly this quarter versus the Euro, and was flat versus the Japanese Yen.

WASHINGTON UPDATE

The biggest news out of Washington was that the House and Senate rushed to pass a tax reform bill that was presented to the President, and signed on December 22, 2017. Corporate tax rates and individual income tax rates were cut, while standard deductions nearly doubled and some personal exemptions were eliminated. The business tax cuts will be permanent while individual tax cuts will sunset in 2025. Next on the Congressional agenda is healthcare reform, an infrastructure package, and regulatory relief.

FACTORS INFLUENCING MARKETS

The Federal Reserve (Fed) raised rates this quarter, as expected, by a quarter of a percent. It is anticipated that an additional two or three rate hikes are likely in 2018. Wages were up modestly and the jobless rate remained at a 17-year low as we anxiously awaited the nomination of the new Federal Reserve Chair, Jerome Powell.

The yield on the U.S. Treasury as of December 31, 2017:

U.S. Treasury Maturity	Beginning of Year Yield	End of Year Yield
2-year	1.22%	1.89%
5-year	1.94%	2.20%
10-year	2.45%	2.40%

New tax reform was signed into law on December 22, 2017. Many people were understandably thinking about how it will affect them personally. The new tax package has been drawing positive reviews from Wall Street. This package will benefit businesses more than individual and the business rate cuts will be permanent.

An individual residing in high tax states such as California, Connecticut, New Jersey and New York, may be facing larger tax bills beginning 2018. The changes to state and local taxes (also known as SALT) and mortgage interest rate deductions could be especially damaging. You will not be able to deduct state and local taxes which will significantly affect higher tax states. In addition, individuals will no longer be able to deduct some or all interest paid. The loss of these deductions will have far reaching impact for families with disposable income. Van Leeuwen & Company is happy to speak with you and your accountant regarding specific tax related matters.

Corporations will see a trimming of their headline tax rate from 35% to 21%, which should help support another year of strong growth. It has been confirmed by many large corporations that they will not necessarily use these tax cuts to create jobs, but may use it to reinvest in their business in other ways. It is estimated that corporations are sitting on a record \$42.3 trillion in cash reserves, double the level in 2001. The CEOs from Cisco, Pfizer, and Coca-Cola have suggested to use the extra cash on their balance sheets to pay dividends to their shareholders, or as the CEO of Amgen suggests, use the proceeds to buy back shares of stock. These corporate tax rate cuts will in affect boost stock prices, but won't necessarily create jobs.

Earnings season continued to exceed expectations. Throughout the third quarter, corporate America posted solid results with 75% of the companies in the S&P 500 exceeding earnings estimates, while the majority of U.S. corporates topped sales forecasts.

LOOKING AHEAD

As we look toward 2018, we have a generally positive outlook. We think monetary and fiscal policies will exert a strong influence on how markets perform. There have already been new policies that have gone into effect, but have not yet been felt. Most analysts feel we are still in the late stages of an economic recovery, but do not assume we are going to see the same level of returns as we saw in 2017. There is still some room for growth both domestically and internationally. There will be areas of the market to take advantage of, but gains may be harder to come by in 2018 compared to 2017.

At Van Leeuwen & Company, we will continue to reinforce our position by taking a longer term view, especially with regard to our investment philosophy coupled with sound planning - it is the prudent approach.

HAPPENINGS AT VAN LEEUWEN & COMPANY

LPL Financial Investor and Analyst Day

This November, Ken was given the distinct honor to participate and present during LPL Financials' Investor and Analyst Day held in New York City at the Thomson Reuters Conference Center. Analysts from many major banks and research firms were invited to hear from senior management and their guests to learn about LPL's strategic direction and business growth, as well as how LPL will continue to make available independent objective advice accessible to all Americans for the purpose of helping them pursue their goals and dreams.

Accelerate Conference

Ken was asked to present to a group of advisors at this invitation-only two-day conference, which Jason also attended. The conference is designed to provide advisors with the strategies and tools to build strong and sustainable businesses, network with peers, industry leaders and internal business partners and to learn about the resources and tools that can impact their business immediately.

Political Action Committee

As Chair of the LPL Financial Advisory Political Action Committee (PAC), Ken, along with a small group of financial advisors, visited DC this past spring to discuss significant issues which affect their clients. These issues focus on the Department of Labor's proposed changes related to Tax Reform, Tax Deductibility, Healthcare, Senior Safe Act, and Rothification.

The PAC met with the following Senators and Congressmen, or a representative from their office:

Executive Director, National Republican Senatorial Committee Chris Hansen

Congressman Steny Hoyer (D-MD), Democratic Whip

Congressman Bill Huizenga (R-MI)

Congressman Sean Patrick Maloney (D-NY)

Senate Majority Leader Mitch McConnell (R-KY)

Speaker of the House Paul Ryan (R-WI)

Senator Tim Scott (R-SC)

We will continue to engage with Members of the Congress to build and maintain those relationships with key policy makers and to ensure your interests are represented.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. The economic forecasts set forth may not develop as predicted. No strategy assures success or protects against loss. Investing involves risk including loss of principal.

The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on the NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index. The Bloomberg Barclays U.S. Aggregate Bond Index is an index of the U.S. investment-grade fixed-rate bond market, including both government and corporate bonds. The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada. The MSCI EM (Emerging Markets) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the emerging market countries of the Americas, Europe, the Middle East, Africa and Asia.

Securities offered through LPL Financial, Member FINRA/SIPC. Investment advice offered through Van Leeuwen & Company, a registered investment advisor and separate entity from LPL Financial.