BH | *Beech Hill Advisors*

April 2017

Dear Client:

In the following paragraphs I will share we with you our views of the events that have and will affect investment strategies in the months ahead.

The economy has been upbeat since the start of 2017. The service sector as well as the housing market has continued their advance. The manufacturing sector expanded to its highest measure since 2014. Job growth continued with unemployment remaining in the mid 4.0% range, near its lowest levels since 2015. Consumer confidence posted significant improvement. The level in 2017 had not been seen since 1997-2000 and before that in late 1960s. Inflation has shown only moderate upward pressure with a shrinking labor force and some modest increases in consumer price indexes.

With regards to fixed income securities, specifically the municipal bond market, there were solid returns in the first quarter. The Bloomberg Barclay's 10 Year Municipal Bond Index posted 1.78% for the quarter, after a negative 0.24% performance for one year. This positive return in the first quarter came amidst a sense of uncertainty regarding Fed policy, federal trade policies, as well as the administration's call for infrastructure spending and tax policy changes. Also, interest rates hit a 2½ year high. However, the yield curve flattened with sell off in the short end relative to the long end of the yield curve. This reflects low inflation expectations in the future.

Looking forward, there will be probably will be three Fed rate hikes in 2017 and two in 2018 resulting in a fed funds rate of 3.0%. Again the short end will be most affected, however, with minor price reductions resulting in positive returns. But uncertainty will dominate the markets at least in the near term until the administration, along with Congress, enacts sound fiscal policy: simplifying tax code, lowering corporate tax burden and stabilizing trade agreements. We believe that Congress will achieve their economic goals and if our system of government works, and we believe it will, these changes will raise expectations and improve the attitude of the American public. Finally, even with the interest rate hikes we have experienced this past year, the bond market has experienced minor decreases in yields (i.e. higher prices). We expect the same to hold true in the months ahead.

Best regards,
Stephen Steglitz
Beech Hill Advisors, Inc.