Dear Client,

I keep a yellowing copy of a Wall Street Journal in my desk drawer dated 3/30/1999. The newsstand price was $0.75. Today one costs $3.00. I long ago stopped subscribing to the paper version. I now get mine 24/7 on my IPhone from anywhere on the planet that has Wi-Fi. It is incredible how technology has changed the information business. I keep this aging pile of pulp around because of the headline on the front page: DOW INDUSTRIALS TOP 10,000. When I started in this business in 1985 the Dow 30 was about 1200. I have been waiting eighteen long years to buy the "DOW 20,000" copy. Last Friday it came within 0.37 points. Alas, I guess I will have to wait a little longer and save my $3.00.

I like reading old newspapers to get a snapshot of what people were thinking at that time. The other storylines from that day are telling. "The Investors: Ordinary People Show Extraordinary Faith, Reaping Rich Rewards" and "As Their Portfolios Surged, It Seems That Everyone Ended Up A Winner". The party kept on going for another year, with the major averages peaking in March of 2000. Of course, we all know how that movie ended: The Dot Com Crash of 2000-2002, which saw billions of losses as the red-hot NASDAQ dropped by nearly 80%.

Now here we are, eighteen years later, and market is approaching another milestone. What can we learn from the past, so we do not repeat the same mistakes? The legendary Sir John Templeton put it best:

"Bull **markets are born on pessimism**, grown on skepticism, mature on optimism, and die on euphoria. The time of maximum **pessimism** is the best time to buy, and the time of maximum optimism is the best time to sell."

Market predictions are guesses, but our best is that we are somewhere in the 'mature on optimism' phase. We can rule out pessimism, because we just finished a year when the market rallied double digits. Unemployment, inflation, and interest rates are low. Companies are hiring month after month. Housing markets have fully recovered in most of the country. Analysts are predicting rising earnings for the S&P 500 in 2017 and 2018. We definitely don't feel we are in a period of euphoria. If we were, you would see people quitting their jobs to day trade stocks, Time magazine articles proclaiming a 'new era' of investing where valuation does not matter. In contrast, today many investors are worried, keeping large cash balances despite record low interest rates. A whole generation, millennials, who witnessed not one but two stock market and one real estate crash, are extremely skeptical about the merits of long term investments and home ownership. Equity mutual funds continue to experience big outflows. The IPO market is quiet today. Market Euphoria is always accompanied by new companies cashing in as the public clamors for their shares.

Many people ask us if the post-election rally in the stock market is sustainable. After all, the new regime has not even taken office and yet the market is flirting with all-time highs. Markets are forward looking animals. They don't care about what is happening right now. They care what may happen 6-12 months from now. Two forces driving the rally are expectations of 1. Tax Reform and 2. Deregulation. Tax reform means that corporate and individual tax rates will decrease. A decrease in corporate taxes directly increases the denominator in the P/E (Price to Earnings) ratio, making the market cheaper. Also, investors are looking forward to trillions of dollars parked overseas in the coffers of multinational corporations being repatriated and reinvested in the form of dividends, stock buy backs or capital expenditures. Deregulation is often viewed favorably by businesses as well, though there is a healthy debate about the long term implications.

In summary, we are constructive on the market going forward for the foreseeable future, whatever that is. We feel stocks are not unreasonably priced given the overall economic outlook. We are always wary of an exogenous shock, which is completely unpredictable and impossible to handicap. Some examples would be a currency crisis, an assassination, a military accident or a war.

Of note: Our dear colleague Tonya Rasmussen and her husband Ryan are excitedly awaiting the arrival of their baby girl! Tonya will be taking a maternity leave beginning sometime in late March and lasting about twelve weeks. Please make every effort to direct your tax filing questions to us a little early this year. We would like you to start calling and emailing Hayley Hartman, our administrative assistant for the transition of Tonya for her maternity leave. Hayley will be filling in for Tonya on the administrative side while she is out and as always, please feel free to reach out to Joe Brady and myself for any other requests or questions you would have had for Tonya. During Tonya's leave, her direct line will be answered and she will have an automatic message directing you to contact one of us as well. If you should have any questions or concerns, please call any one of us to discuss.

As a reminder our contact information is as follows:

Sam Gross
Direct: 312-869-3862
Email: samuel.gross@raymondjames.com

Joe Brady
Direct: 312-869-3858
Email: joseph.brady@raymondjames.com

Tonya Rasmussen
Direct: 312-869-3863
Email: tonya.rasmussen@raymondjames.com

Hayley Hartman
Direct: 312-869-3839
Email: hayley.hartman@raymondjames.com

Regards,

Samuel Gross
Sr. Vice President, Investments

Joseph Brady
Sr. Vice President, Investments

Tonya Rasmussen
Financial Advisor

Views expressed are not necessarily those of Raymond James & Associates and are subject to change without notice. Information provided is general in nature, and is not a complete statement of all information necessary for making an investment decision, and is not a recommendation or a solicitation to buy or sell any security. Past performance is not indicative of future results. There is no assurance these trends will continue or that forecasts mentioned will occur. Investing always involves risk and you may incur a profit or loss. No investment strategy can guarantee success. The Dow Jones Industrial Average is an unmanaged index of 30 widely held securities. The NASDAQ Composite Index is an unmanaged index of all stocks traded on the NASDAQ over-the-counter market. It is not possible to invest directly in an index. Price Earnings Ratio (P/E) is the price of the stock divided by its earnings per share.