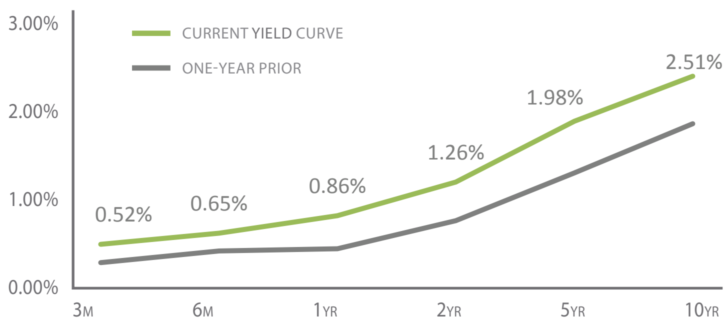
PRUDENT MAN ADVISORS

PRUDENT MAN ADVISORS MARKET UPDATE

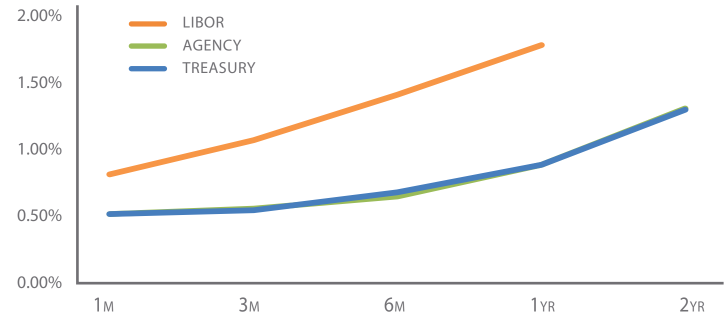
FEBRUARY 2017

Historical Yield Curve



Source: Bloomberg Finance L.P. 2/1/17

Indicative Rates

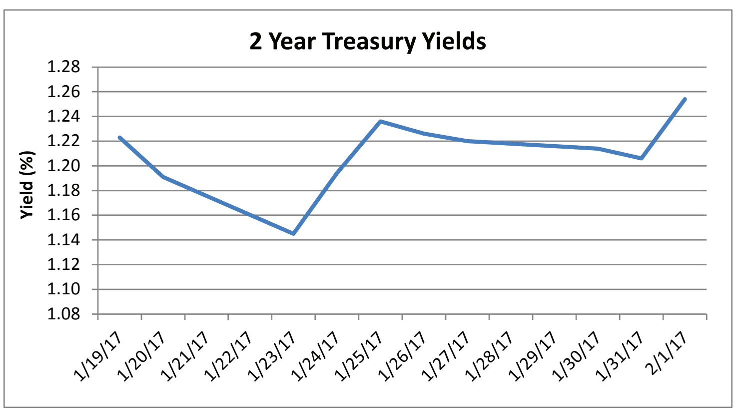


Source: Bloomberg Finance L.P. 2/1/17
Rates do not reflect transaction fees.

FEATURED ECONOMIC INDICATOR

Post-Inauguration Volatility

Since President Donald Trump was inaugurated on January 20, 2017, a steady stream of formal policy announcements, comments and tweets have moved markets. Equity markets initially reacted favorably, but have cooled in recent days. Treasury bond yields have been volatile as well. Yields initially moved down, but turned higher later in the President's first week as more market moving news continued to unfold. In general, news on regulation and taxes were positive for risk sentiment while some news on trade policy was negative. So far, little information has been provided regarding fiscal stimulus and this uncertainty has likely further contributed to volatility in rates.
Source: Bloomberg



Source: Bloomberg

U.S. Economic Indicators

Event	Event Date	Period	Survey	Actual	Prior / Revised (R)
Retail Sales Ex. Auto (MoM)	01/13/17	DEC	0.5%	0.2%	0.3% (R)
Consumer Price Index (YoY)	01/18/17	DEC	2.1%	2.1%	1.7%
Core CPI (YoY)	01/18/17	DEC	2.2%	2.2%	2.1%
Building Permits	01/19/17	DEC	1225K	1210K	1212K (R)
Chicago Fed National Activity Index	01/26/17	DEC	-0.05	0.14	-0.33 (R)
GDP Annualized (QoQ)	01/27/17	4Q A	2.2%	1.9%	3.5%
Durable Goods Orders Ex. Transportation (MoM)	01/27/17	DEC	0.5%	0.5%	1.0%
Change in Nonfarm Payrolls	02/03/17	DEC	170K	--	144K
Unemployment Rate	02/03/17	DEC	4.7%	--	4.7%

Source: Bloomberg Finance L.P. 2/1/17

RECENT NEWS

Trump Policies

In his inaugural address President Trump said, "Every decision on trade, on taxes, on immigration, on foreign affairs will be made to benefit American workers and American families." What benefits is he specifically seeking? As bond investors we care about economic stability. Policy changes implicitly create economic winners and losers. Some of the changes, particularly around fiscal stimulus and trade policy are potentially inflationary and could dampen long-term growth. Trade tariffs, which Trump has threatened, may have worsened the Great Depression. Subtler approaches may prevail. Wilbur Ross, who Trump has nominated as his Secretary of Commerce, said during his confirmation hearing that he preferred to focus on boosting exports and using carrots to keep factory jobs in the U.S.
Source: Wall Street Journal

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