Tom McIntyre's

Weekly Commentary & Outlook

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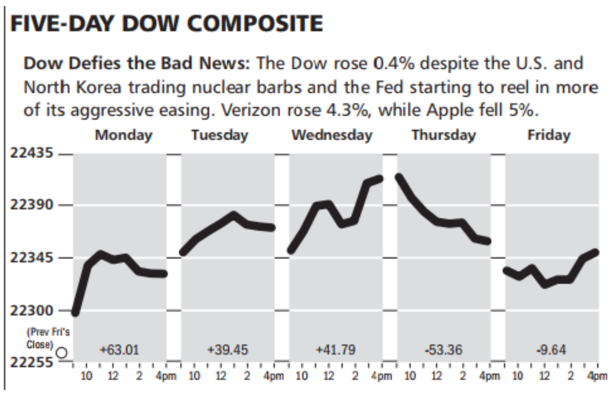
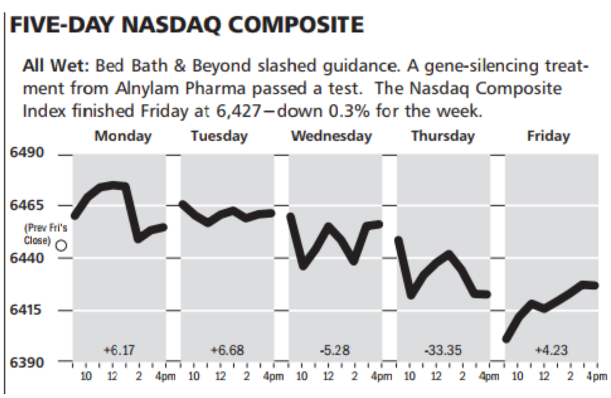
This is Tom McIntyre with another client update as of September 25th, 2017.

Very tranquil action during the Jewish holidays while market specific news was sparse with a few exceptions.





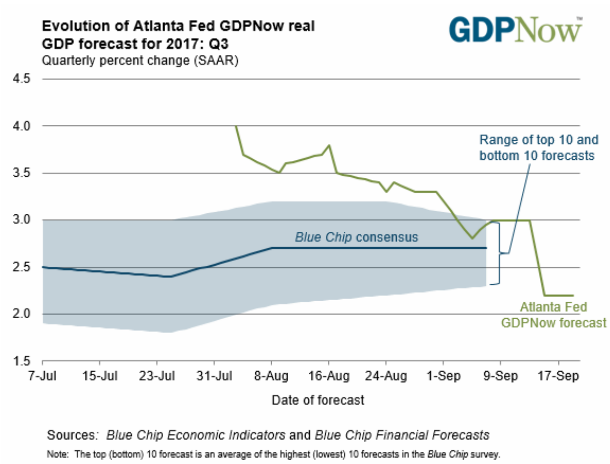
As the charts above illustrate, ***the Dow Jones Industrial Average*** was fractionally higher led by the index leading component and portfolio holding Boeing. While the ***NASDAQ Composite*** was fractionally lower as traders gave thumbs down on the new Apple product announcements.

Markets & Economy

Stocks held in there even as the Fed gave another report which showed just how out of touch their Chairman Janet Yellen is becoming in her final days. No change in interest rates as expected but the threat of future rate hikes remained a prominent part of their public thinking. They do admit that their inflation forecast has been wrong for some eight years but felt compelled to say with a straight face that this will soon change and hence the supposed need to raise rates.

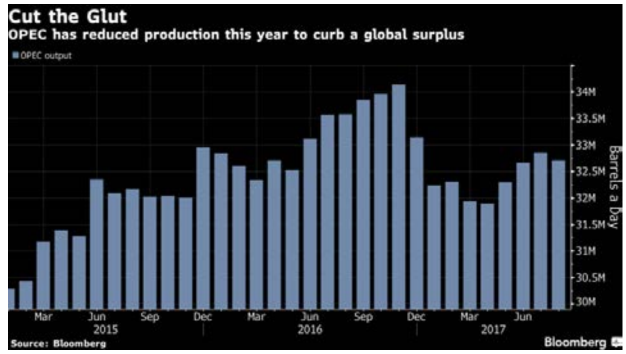
All I can say to this is that sort of track record of official government forecast would be laughed out of most board rooms in America. Is it no wonder why markets have responded to the Fed's higher rates by rallying the bond market? In fact, mortgage rates have fallen to their lowest levels of the year. The only problem is that no one is taking advantage of them because existing home sales are at a yearlong low and new home sales are also falling. Combine this with a dramatic slowdown in automobile financing and you can quickly realize what the Fed does not. Namely that they are raising rates at a time when demand for credit is falling. Stupid policy based on some sort of ideology rather than results.

The proof of the pudding is contained in the chart below which shows the Atlanta Fed estimate for Q3 GDP growth dropping towards 2%. The New York Fed already has their estimate down to just 1.6%. Why raise rates and reverse quantitative easing when the economy is no different than when the opposite monetary policies were being implemented. Could politics be invading Fed policy? It is scandalous to even suggest it but clearly the rationale is based on non-economic factors.

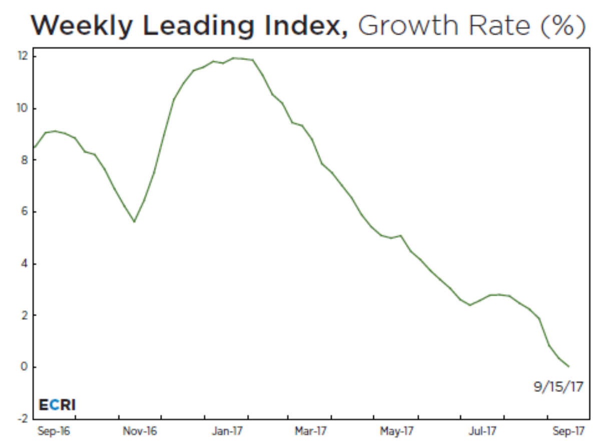


The other items which impacted stocks last week were the renewed focus by the Senate on trying to repeal Obamacare and the jump in the price of oil. The former appears to be doomed and its impact may have simply been to blunt the initial energy behind trying to get a tax-cut bill through Congress. The market still expects this to happen but given the ability of Congress to do anything, I wouldn't bet on it. Democrats are united against it and Republicans would like to see President Trump fail. What a government we have in place.

As far as the price of oil is concerned the chart below shows that as inventory levels have been coming into balance the price has rallied over the all-important 50 dollars per barrel for WTI. Today is up even further. OPEC seems ready to do whatever it takes to see the price continue to rally. This combined with the growing reality that the oil frackers in the US need a higher price to be economically successful means the price should rally into year-end. This explains the jump in many of the higher quality energy names last week. This group is out of favor still and the perception remains that the world is awash in oil. Not sure that is accurate especially given the news from Venezuela for instance.



Finally, the look at the ECRI's leading economic indicators chart below continues to show NO sign of a growth spurt as we head into the final quarter of the year. Stock prices like 2% growth but with the Fed continuing its policy error there needs to be an offset somewhere. Right now, I don't see it happening.

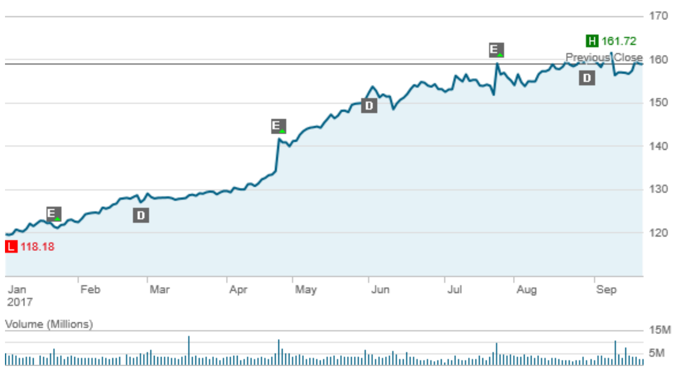


What to Expect This Week

Frankly, not much. Some economic data is expected but nothing that will change the consensus out there. Earnings season is still a few weeks away.

The third quarter trading does end on Friday and perhaps some end of quarter games will get played. As of now the announcement of the Republican plan to reform taxes looms large but will quickly be overtaken by the enormous arguments which will be offered to hold it back. In other words, the usual DC gridlock despite one party being in control. Amazing.

Symbol: MCD



Investors in McDONALDS have been served up a tasty dividend increase. MCD's board of Directors approved the Company's 41st CONSECUTIVE ANNUAL DIVIDEND INCREASE last week, raising the quarterly dividend 7 percent, from $0.94 to $1.01 per share of common stock. The new dividend will be payable on December 15 to shareholders of record at the close of business on December 1st. This brings the annual yield on MCD shares to over 2.5 percent.

CEO Steve Easterbrook says the dividend increase reflects confidence in the strength of the business and the ability to deliver sustained, long-term profitable growth to shareholders. McDONALDS is the world's leading global foodservice retailer with approximately 37,000 locations in over 100 countries. The Company reports third-quarter earnings on October 24th. Shares at The Golden Arches have performed well, rising more than 35 percent over the past 12 months.

Symbol: CSCO

We added two new positions at attractive price points to our Dividend Portfolio group recently. CISCO SYSTEMS is one of them. CSCO is a leading tech company with a solid dividend which dominates in data networking. Switches and routers account for nearly half of CISCO's revenue. The remaining portion comes from a collection of adjacent market segments such as wireless, security, unified communications, and data center products. The Company is also moving seriously into CLOUD SUBSCRIPTION SERVICES, the same path MICROSOFT has embarked on with great success.

Changes at the managerial levels, recent beats in quarterly earnings, emerging revenue drivers and analyst upgrades all point to a positive direction for the stock. Shares have risen nearly 10 percent since we purchased CSCO in August. We believe it can increase at least another 10 percent over the next 12 months. The annual dividend yield for CISCO SYSTEMS is an attractive 3.5 percent.

People's United Bank

What know-how can do

Symbol: PBCT

We also acquired shares of Northeast regional financial services company PEOPLES UNITED FINANCIAL for some client accounts last week. PBCT's earnings are expected to increase by more than 30 percent over the next few years, according to estimates, indicating a highly optimistic future for the bank. This should lead to more robust cash flows, feeding into a higher share value. PBCT will benefit from any FEDERAL RESERVE decision to increase interest rates.

We have owned PBCT before, and believe picking up shares in the 16-dollar range is an attractive price for the stock. Shares have risen 10 percent since our purchase and could reach $20 over the next year. PEOPLES UNITED's annual dividend yield is a solid 4 percent.