

The Investment House Quarterly: Jun. 30, 2017

Index %	YTD '17	2016	2015
S&P 500	+9.34	+ 11.96	+1.38
Barclays US 20+ Yr Treasury	+5.66	+1.43	-1.59

Source: Morningstar

A Parting Of Ways?

As the table above and the chart below indicate, until quite recently, the path of equity and bond markets has been quite similar over the last three years – broadly higher. Only recently have bond prices moderated somewhat, even as stocks have surged ahead.

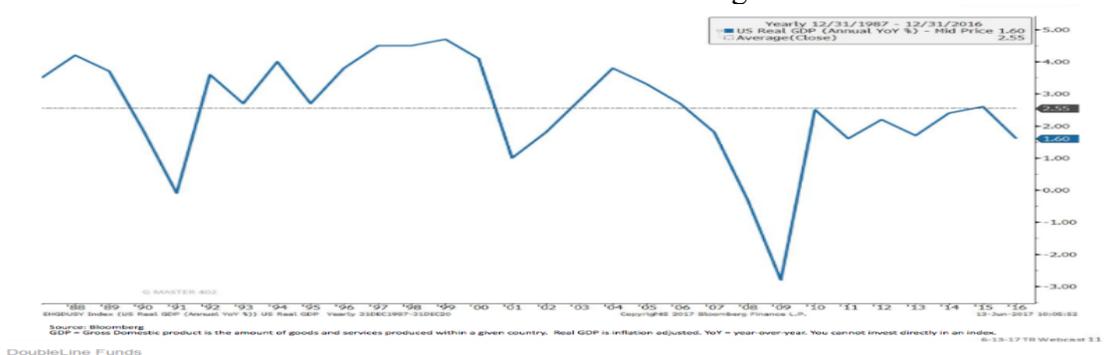
Long Term Treasuries and S&P 500: June 2014 - June 2017



The question for investors is whether this change portends any great change in the investment environment. One way to answer this question is to review broad measures of GDP growth over time, and to examine their current components in light of history. As the charts below indicate,

GDP growth, while positive, is actually below its historical average, perhaps accounting for continuing low interest rates. However, long term measures of leading economic indicators

Real GDP: 1.60 vs 2.55 Avg.



U.S. Conference Board Leading Economic Indicator



show that we are nowhere near a recessionary danger zone. In other words, as in so many cases, market moves which *seem* significant, may portend absolutely *nothing* about the investment future. Only great companies at attractive valuations do that – and that is where we are focused.

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