



APRIL 2017

THE GROUPIE

Written by David Ferrucci

In March, I had the great pleasure of travelling to Italy with Michele, our three children, and my parents. We started in the north and worked our way south – from Venice to Florence to Rome. I discovered rather quickly why so many people rave about Italy: the food, the art and architecture, the history, the language, the coffee, the food (worth mentioning twice!) and, of course, the gelato!

Glancing at some of the hundreds of photos on our phones has been a fun way for all of us to relive the experience. Among the photographs are panoramas of the Tuscan countryside, zoom shots of ancient Roman ruins, a blurry image of a classic Ferrari, and even a close-up of a super-sized bowl of mussels served in a Venetian ristorante!

For me, the pictures that put the biggest smile on my face are the *selfies*; though a better word for those might be *groupies* because they're more than self-portraits with a social media-worthy backdrop. We have dozens of these photos from our trip; some with all seven of us, and many more with varied combinations of people in the picture. These groupies represent the defining moments of our time together. Yes, Michelangelo's work is mesmerizing. Yes, the Grand Canal in Venice is truly grand. And, yes, the gelato all over Italy is sublime.

As with most of life, however, defining moments and great memories are most often made in the company of others. And we needn't travel all the way to Italy, the Antipodes, or Timbuktu! Memorable occasions often occur in our own back yards and many of the places close to our homes.

As warmer weather awakens from Maine to New York to Florida, most people gravitate to the outdoors; whether for gardening,

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golfing, fishing, or a leisurely stroll. To the chagrin of my teenaged children, I will continue this new convention of documenting occasions with *groupies*. And I encourage you to try it, too. If your children or grandchildren balk (*How embarrassing!*), you have permission to blame it on me. You'll be glad you have a snapshot of your time spent with others!

Circling back to Italy, it's worth mentioning our trip represents one of my parents' retirement goals. Several years ago, they expressed a desire to travel with the family to Italy. Rather than planning a single trip for nineteen people, they wanted to take several trips with smaller parts of the whole family on each. In doing so, they have created wonderful, lasting memories for themselves and the rest of our gang!

For Paul and me, we experience great joy and pleasure in helping you and others not only define your goals; more importantly, listening to the ways in which you reach for and realize them. Share your successes in pictures and send us a groupie!



MARKETLIGHT

Presented by Paul Ferrucci

Markets continue strong start to 2017

Despite mixed results for March, U.S. equity markets had a very strong first quarter. The Dow Jones Industrial Average lost 0.60 percent for the month, though the S&P 500 Index and Nasdaq gained 0.12 percent and 1.57 percent, respectively. For the quarter, the Dow returned 5.19 percent, the S&P 500 was up 6.07 percent, and the Nasdaq climbed 10.13 percent. Technical factors remained positive for all three during the month and quarter.

International equity markets also had a strong start to 2017. The MSCI EAFE Index returned 2.75 percent in March and 7.25 percent for the quarter, while the MSCI Emerging Markets Index gained 2.55 percent and 11.49 percent for the month and quarter, respectively.

Fixed income indices had a volatile first quarter, due largely to uncertainty surrounding whether the Federal Reserve would increase the federal funds rate. It did in March, and the Bloomberg Barclays Aggregate Bond Index lost 0.05 percent for the month, though it gained 0.82 percent for the quarter. The Bloomberg Barclays U.S. Corporate High Yield Index declined 0.22 percent in March, but it was up 2.70 percent for the quarter.

Economy continues to improve as confidence increases

The fourth-quarter gross domestic product growth estimate was revised upward, to 2.1 percent. With a solid start to the year, and

strong data since then, the economy continues to improve. The Fed acknowledged as much when it raised interest rates 0.25 percent.

The major consumer confidence gauges are near highs last seen in the early 2000s, though personal consumption spending growth came in lower than expected in March. Much of the shortfall was due to abnormally warm temperatures, which lowered utilities spending by double digits. Although the high levels of consumer confidence and personal income growth suggest that spending is likely to rebound, this is something to keep an eye on.

Rising confidence supported by hard data

Jobs have grown much faster than expected in early 2017, and wage growth has improved. Housing has also continued to grow, with home builder sentiment surprising to the upside. The National Association of Home Builders/Wells Fargo Housing Market Index surged in March to levels not seen since 2005. Existing home sales declined slightly because strong demand has eaten up supply.

Political headwinds

In the U.S., the Trump administration and Republican Congress have been slower to enact policy changes than expected, leaving expectations for further changes dampened.

In Europe, the success of moderates over nationalists in Dutch elections has calmed market

concerns. Also, polls showing a likely win for French moderates, and the two-year Brexit process beginning without drama, have diminished other worries.

Though tensions have increased in Asia following North Korean missile testing, the U.S. and China are taking a less confrontational approach. The meeting between President Trump and China's President Xi in early April should help resolve some concerns.

Economy improving, headwinds diminishing

After a robust first quarter, the good news appears likely to continue. The economy is improving, and policy uncertainty may be subsiding. Additionally, as global growth resumes, we are in the first synchronized economic expansion since the financial crisis. The resilience of the U.S. economy and healthy performance of financial markets suggest that many risks have been priced in.

Still, risks remain. The biggest is that economic expectations will adjust down on weaker data, and that the improvement will roll over. Nevertheless, economic and market conditions are as supportive as they've been since 2008. Despite potential setbacks, a well-diversified portfolio that matches goals remains the best way to prepare for the future.

All information according to Bloomberg, unless stated otherwise.

The Ferrucci Company is a wealth management boutique to which families turn for financial guidance and leadership, freeing them to pursue their most important goals and values.

David Ferrucci: Over twenty-five years ago, David began helping individuals, couples, and families make balanced – and smart! – financial decisions. Earning Bachelor's and Master's degrees from Trinity College, he focused his studies within the field of behavioral finance; an academic discipline that factors human elements into traditional economic assumptions. David also earned a Master's degree from Columbia University, where he examined the complex relationship between personal finance and family dynamics. Currently, he is pursuing a Master of Philosophy degree through Wesleyan University, deepening his understanding of personal, family, community, and global matters as they relate to finances. Today, David's expertise lies in the macro-economic realm of coordinating, synchronizing, and advancing individual and family goals.

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balance is a monthly feature written by Paul and David Ferrucci,
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