BLUE CHIP PARTNERS, INC.

a Registered Investment Advisory Firm

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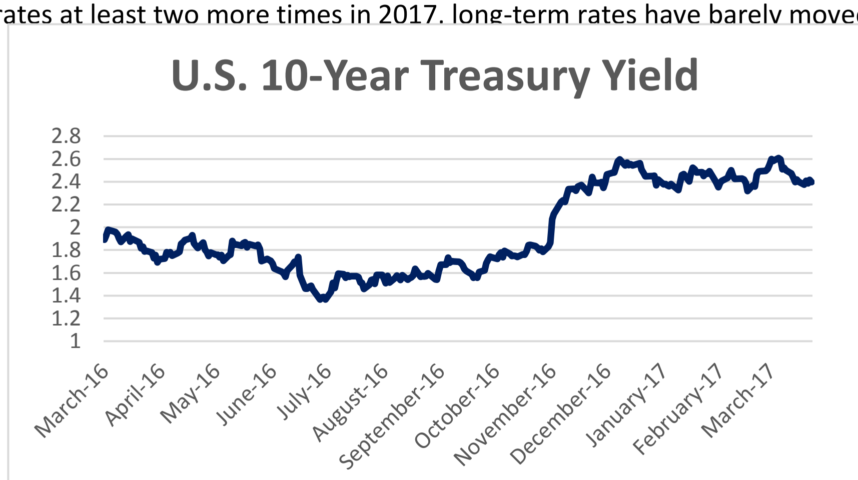
APRIL 2017 COMMENTARY

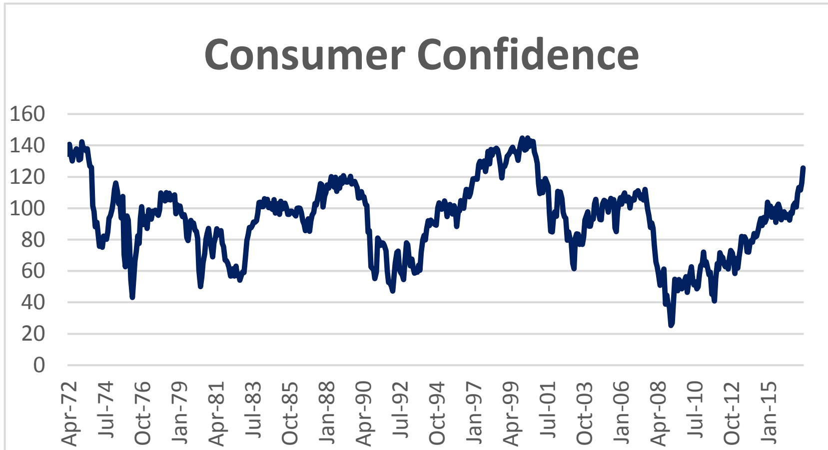
The Dow Jones Industrial Average ("Dow") finally reached the long-talked about 20,000-point milestone in late January as the post-election rally continued during the first quarter of 2017. The Dow and the Standard and Poor's 500 (S&P 500) posted positive returns for the quarter, up 5.19% and 6.17% respectively. Notwithstanding nearly universal consensus for increased volatility, the strong stock market performance has come with almost no significant down days. In fact, the S&P 500 index had only one trading day in the last 116 days (through March 31, 2017) on which the index declined by more than 1%.

After many years of underperformance, International Developed equities, as measured by the MSCI EAFE Index, and Emerging Market equities, as measured by the MSCI Emerging Market Index, outperformed US markets, posting gains of 7.91% and 12.74%, respectively, for the quarter. On most valuation metrics, international markets are "cheaper" than US markets, and we would not be surprised to see the outperformance continue.

Despite improving economic data and a tightening of Monetary Policy by the Federal Reserve ("Fed"), bond yields remained relatively unchanged for the quarter. The yield on the U.S. 10-year Treasury bond started 2017 at 2.45% and closed the quarter at 2.40% (as of April 19, 2017 the rate had fallen further to 2.23%). Going into 2017, there was also broad consensus that we would finally see several interest rate hikes. While the Fed did raise rates in March, and is expected to raise rates at least two more times in 2017, long-term rates have barely moved.



The divergence of the messages being sent by stock and bond markets is likely the result of slower than initially anticipated progress on the administration's goal to rewrite our health care system and pass wide-ranging tax reform. While the stock market and consumer confidence measures seem to be predicting continued strong economic growth, the message of the bond market is more cautious.



The recent lack of any significant negative stock market performance is almost certainly an aberration. Our view of the current economy falls somewhere in between what the stock and bond markets are telling us. If we are correct, we would not be surprised to see a temporary pullback in the stock market. We encourage clients to remember that stock market pullbacks are very normal and can present opportunities for long-term investors.

Sincerely,

Robert | Dan | Matt

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Data Source: Bloomberg LP

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DID YOU KNOW . . .

Savings

1. **WHERE DID THE MONEY GO? -** 78% of former NFL players file for personal bankruptcy or suffer financial stress within just 2 years of retiring from the pro game (source: Sports Illustrated).

2. **RAINY DAY FUNDS -** 63% of American adults do not have $500 in a savings account to cover an emergency expense (source: CNN).

3. **EMPLOYER FUNDED, EMPLOYEE MANAGED -** In Australia, employers are required to contribute an amount equal to 9.5% of an employee's pay (wages and bonuses but not overtime pay) into a retirement account that is owned and managed by the employee. The Australian system, in place since 1992, will require the employer contribution to increase to 10% of pay in 2021 (source: BTN Research).

S&P 500

4. **BAD CALL –** The S&P 500 bottomed at 677 on 3/09/09, the end of a 17-month bear market in which the stock index fell 57%. A weekly survey of stock investors indicated 70% of them were bearish as of 3/04/09, the highest bearish measurement ever recorded by this study (source: American Association of Individual Investors).

5. **MY DAY, YOUR YEAR -** The worst day for the S&P 500 in 2016 (a total return loss of 3.6% on 6/24/16) is a greater loss than the worst year for the bond market at any time over the last 40 years, i.e., 1977-2016. The Bloomberg Barclays Aggregate bond index was used as the bond measurement (source: BTN Research).

6. **STRAIGHT LINE –** Just 25% of stock investors were "bullish" on the US stock market on 12/31/15 after the S&P 500 had produced a +1.4% gain (total return) for 2015. The S&P 500 gained +12.0% during 2016 (source: AAII).

Miscellaneous

7. **OWN A LOT -** The federal government owns 28% of all the land in the United States, including 85% of Nevada and 65% of Utah (source: Congressional Research Service).

8. **THE FOUR LARGEST -** 1 out of every 3 Americans (33%) lives in just 4 US states – California, Texas, Florida and New York. These 4 states were home to 107.5 million citizens at the end of 2016 out of our nation's population of 323.1 million (source: Census Bureau).

9. **THROUGH WORK -** 57% of the total US population receives their health insurance either through their own job or through the job of a family member (source: 2015 Current Population Survey).

10. **NOT AT THE CORPORATE LEVEL** - Over 90% of American businesses are "pass-through" entities, i.e., the business income is reported on the business owner's individual income tax return. "Pass-through" businesses include sole proprietorships, partnerships and S-Corporations (source: Tax Foundation).