



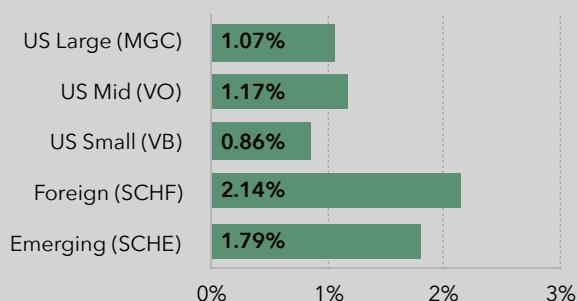
April 2017

Economic Data

- 211,000 jobs were added in April, and the unemployment rate fell one-tenth to 4.4%, the lowest reading in 16 years
- Existing home sales bounced back up 4.4% in March, hitting new highs for the current expansion
- Year-over-year inflation (CPI) fell to 2.4% in March, and the core rate (ex-food & energy) edged down to 2.0%
- Weak motor vehicle sales continue as retail sales declined 0.2% in March, and February numbers were revised down from a 0.1% gain to a 0.3% loss

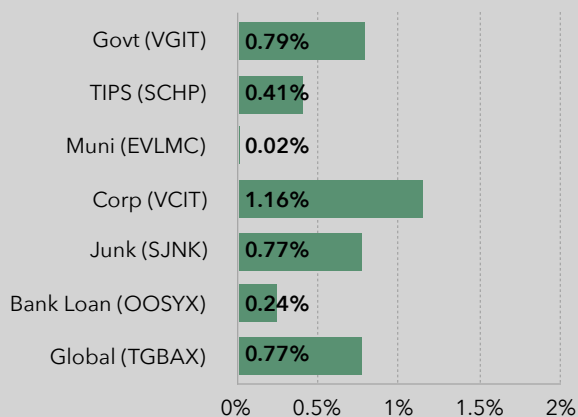
Stocks

April Returns



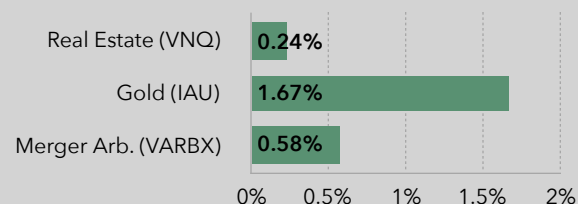
Bonds

April Returns



Alternatives

April Returns



Performance data provided by Morningstar.

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and is not guided by emotions. It is that second system – type 2 – that we want in control of our investment portfolios.

Three Folds of Overstuffed Cowhide

One summer, maybe ten years ago, I was sitting out on the deck of the Downtowner Lounge in Houghton, MI sharing a few laughs with good friends. We were enjoying the summer day with 2-for-1 beers and double cocktails, with the lift bridge that spans the Portage Canal serving as our backdrop. When the check came, I told the group it was on me and reached for my wallet (ok, that part of this story is probably not true, but who's to say). What I pulled out was three folds of cowhide, overstuffed with mostly useless items.

My friend, Blaz, asked incredulously, "That's your wallet?!" He moved in close to my face, sucked in a long breath between his teeth, and let out a deep sigh. This is how Blaz started his diatribes. The next ten minutes were filled with contemplative, methodical, and paced condemnation that essentially amounted to this: a stuffed wallet tilts your pelvis to one side putting pressure on your sciatic nerve, and that's bad.

He proceeded to go through my wallet, removing all non-essential items. Blockbuster card – gone. Dental insurance card – gone. Sub Club card – gone. Picture of my 16-year-old self standing in front of a 1986 Pontiac Fiero? Definitely gone. Since that day I have only carried a tiny card wallet (a cherished re-gift from my dear friend, Andy) with my driver's license, one business card, a transit pass, debit card, and one credit card. That's it.

A few years after that I was hanging out with Blaz again, and noticed his wallet was overstuffed. "Hey, you gave me a huge lecture about that and look at you," I exclaimed. "You actually listened to me?" he responded as he laughed. Despite his hypocrisy, I have taken it upon myself to pass on this knowledge, and have recreated his demonstration on more than a few of my buddies over the years.

So if you are going to save your back and limit yourself to just one credit card, you better make it a good one. For many years, the American Express Platinum card has been the go-to choice for the jet-set crowd, but Chase's introduction of the Sapphire Reserve card last year has put the centurion on notice. So let's break down how the two compare (restrictions, limitations and exclusions apply, so please refer to the cards' respective cardmember benefit guides for more details).

Annual fees: Amex charges \$550 per year thanks to a \$100 increase that took effect in March, while Chase charges \$450. These fees might seem high, but the benefits quickly negate all of these costs. Winner: Chase.

Sign-up bonus: 60,000 points if you spend \$5,000 in the first three months for Amex; 50,000 points if you spend \$4,000 in the first three months with Chase. \$5,000 might be a stretch for some. Winner: let's call this one a draw.

Travel credits: Amex gives you \$200 in credit towards Uber rides and \$200 in airline incidentals, but there are restrictions with both. The \$200 towards Uber is actually \$15 per month plus an extra \$20 in December, so if you don't use Uber at least a couple times every month you are likely to miss out on some of this benefit. The \$200 airfare credit is only for incidentals like checked bags and in-flight meals, not for airfare, so for most this will go largely unused. With Chase, the \$300 is for anything related to travel including hotels, cruises, plane tickets, and Uber rides. It only took me a couple weeks to maximize this benefit. For all but a few, Amex's restrictions will make Chase the better option. Winner: Chase.

Points: Amex offers you 5x points on flights and hotels, but you have to book through their website. Chase, on the other hand, only offers 3x points but it is for all travel related expenses booked anywhere. Furthermore, Chase offers 3x points on dining. Both cards offer 1x points for all other purchases. Your Chase points are worth 50% more if you redeem them through Chase Ultimate Rewards®. You can also redeem them for straight cash at a penny per point, which isn't an option with the Amex Platinum. For most people it will be quicker and easier to rack up and redeem points with Chase. Winner: Chase

Airport lounge access: Both offer you access to over 1,000 Priority Pass Select lounges around the globe (a \$399 value), but Amex goes further with access to Delta Sky Club when flying Delta, their own handful of Centurion Lounges which are quite choice, and three Airspace lounges which will only really come in handy the next time you are stuck in Cleveland. The added benefit of these will depend on where you fly to and from, and whether or not you fly Delta. Winner: Amex.

Global Entry or TSA Pre-Check: Both offer up to \$100 in credit every four years for these programs. Winner: tie.

Hotel perks: Both offer hotel and resort perks like complimentary upgrades and meals at select properties, but Amex also offers you gold status with Starwood and Hilton. Winner: Amex.

Car rentals: Both offer complimentary status membership at select rental car companies, as well as discounts. Sapphire Reserve, however, offers free primary rental insurance, while Amex only offers secondary insurance with the option to upgrade to primary for a flat fee. Winner: Chase

Travel insurance: Chase will provide travel delay insurance of up to \$500, trip cancellation insurance of up to \$10,000, baggage delay insurance and up to \$3,000 for lost or damaged luggage, \$2,500 in coverage for medical and dental expenses, and up to \$100,000 for emergency evacuation services if you are injured or become ill while traveling more than 100 miles from home (including air ambulance). Amex offers a hotline to help you coordinate those services, but doesn't cover the costs. Hmmm, do you want a phone number or a helicopter? Winner: Chase.

Foreign transactions: Both have no foreign transaction fees, but a slight edge goes to Chase here because Visa is accepted more places around the world than Amex. Winner: Chase.

Both cards offer a number of other, less quantifiable benefits that may factor into your decision, such as excellent customer service, concierge services, shopping and warranty benefits, and access to exclusive experiences. If you fly Delta often or frequent an airport with a Centurion Lounge, and broader lounge access is important to you, the American Express Platinum might still be the best travel card for you. But for me – and I think the majority of others – the Chase Sapphire Reserve card gets that coveted spot in my thin card wallet.

I hope it goes without saying, but the above recommendation is only for responsible people who pay their balance off in full every month. If you can't do this, it's probably better just to leave your credit card at home.

Hot For Teacher

The second round of the French Presidential election left voters with a choice between a former investment banker and pro-business capitalist (well, the French version of a capitalist, anyway) in Emmanuel Macron, and an anti-immigration, anti-EU, right-wing candidate in Marine Le Pen. This put the leftist voters in a bit of quandary, and resulted in the lowest voter turnout since 1969, and a record 12% of ballots "spoiled" by voting for neither candidate. The result was a resounding victory for Macron, taking 66% of the vote to Le Pen's 34%.

Maybe you don't care, but had Le Pen won it would have likely meant the end of the EU. With Macron, the union lives to fight another day and that's what markets wanted. France now has a centrist president that is fiscally conservative and socially liberal. We should all be so lucky.

Still don't care? The guy married his high school teacher – the blond. To borrow from the 149th episode of South Park... nice. We need to track this student down and give him his 'Luckiest Boy in France' medal right away!

Binge Box

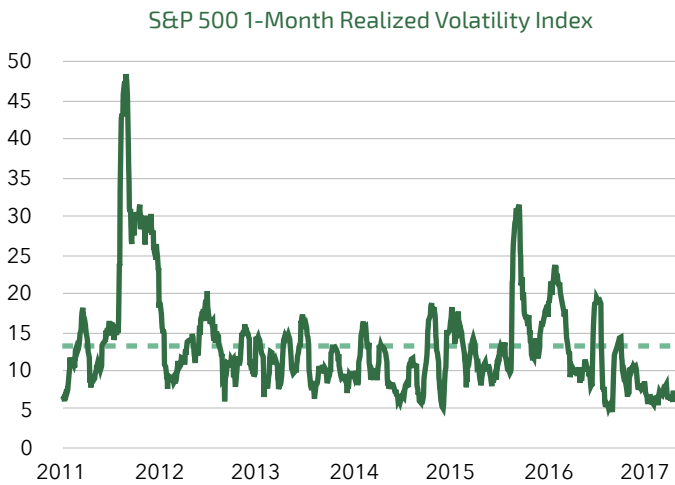
Catastrophe

If you are looking for a great comedy to binge, look no further than the first three seasons of *Catastrophe* on Amazon Prime. The show follows a couple's relationship from one-night stand, to pregnancy, to marriage, and it makes it all look so humorous.

The show was written by Sharon Horgan and Rob Delaney, and they both play the lead roles. This doesn't always work well for shows. Take the Netflix comedy *Love*, for example, where nerdy writer Paul Rust inserts himself as the lead. I mean, there is no way this guy hooks up with a girl like Mickey in real life. It makes the show unbelievable (in a bad way), and almost unwatchable. But with Sharon and Rob in *Catastrophe*, it works brilliantly.

Portfolio Positioning

Prior to the March rate hike by the Fed, we predicted the yield curve you would flatten and that longer-term interest rates would actually go down as shorter-term interest rates rose. This has in fact been the case over the past couple months with the fulcrum at the 2-year mark, and intermediate and long-term bondholders have been rewarded. Another Fed hike in June looks to be likely. We still like our bond duration at about 7 years right now, albeit a little less so than before.



Source: S&P Dow Jones Indices

Equity market volatility has been very low so far this year, with the rolling monthly standard deviation on the S&P 500 averaging only 6.77% – about half its average since 2011. Things are quiet. A little too quiet.

Parting shots:

- SNAP, which I railed against in March, is down over 18% this morning after its first earnings report didn't go so well
- A run on Home Capital Group, Canada's largest non-bank mortgage lender, could be a sign of bad things to come for the overheated Canuck real estate market

Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
Cash				●	
Fixed Income		●			
Core Domestic		●			
TIPS					●
US High Yield	●				
Bank Loans				●	
Foreign Bonds			●		
Equities		●			
Large Cap		●			
Mid Cap		●			
Small Cap		●			
Developed Intl.		●			
Emerging		●			
Alternatives				●	
Real Estate		●			
Commodities					●
Hedging					●

- Payless, Rue21, Radio Shack, Sears, and a host of others are contributing to the record pace of U.S. retail store closings so far this year, as Amazon's ascension continues

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About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser based in Chicago, IL. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select individuals. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.

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