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Dow Jones Industrial Avg.	**17,685.09**	**Standard and Poor's 500**	**2059.74**
2016(YTD) +1.49 %	1st Qtr. +1.49 %	2016(YTD) +0.77%	1st Qtr. +0.77%

Election Year Riddle #2 – "The worst form of inequality is to try to make unequal things equal." - Aristotle

Fight of the Century - Now that everyone (or at least the 53 percent who pay federal income taxes) has contributed to the coffers of Uncle Sam, their attention will now be directed to the elections in November. Although not settled yet, it does appear as though it will be Clinton versus Trump or to political junkies, "The Donald" versus Hillary. This match may well surpass arguably the greatest heavyweight championship fight of all time, which was Muhammad Ali against Joe Frazier. The ring announcer will loudly proclaim to the packed house, "In this corner in the mauve pantsuit with pink gloves – "Prickly Hillary" … and her opponent wearing navy blue shorts, a red top and white gloves – "The Bombastic Don". This contest is going to be much more stressful for the audience because unlike the typical fifteen round championship fight, this is going to drag on for six months. Unlike most fights, this one is likely to feature an overwhelming amount of "trash talking" as the two struggle to control the media flow. What "The Donald" doesn't realize is he will actually be battling a tag team because if it appears as though Hillary is faltering, her husband Bill, the ex-President, can be expected to join the fray. Bill is still noted for his ability to mesmerize a crowd as is evident by the demand from the world's rich and famous for his $500,000 speeches. "The Bombastic Don" can be expected to counter punch with his verbal jabs that are often too repetitious. Voters can expect an epic battle from these two pugilists as they strive to capture votes. Prepare for round one.

What Do the Candidates Want? Silly question, they want your vote. They will each emphasize issues and solutions designed to solidify their base yet also attract a majority of independent voters. Trump will continue to be the more unpredictable however it is fair to assume immigration, fair trade and defeating ISIS are likely to remain near the top of his priorities list. He must also attempt to minimize the internecine opposition within his own party spearheaded by the #NeverTrump faction. This group includes such notables as Romney, the Bush clan, Ron Paul, and Cruz. It is reasonable to expect Donald to select a running mate, who will ideally mute this established crowd.

Hillary is meeting significant resistance to her candidacy within the Democrat party as well with the old, socialist, Vermont Senator Bernie Sanders, who has struck a chord with the far left wing of their party as well as many disaffected independents. Since Hillary has control of the party machine, she has corralled the vast majority of the party's super delegates. The super delegates represent a separate, unelected group designated by the party establishment to assure they have the ability to control the nominating process and their power. Hillary has been forced to adopt a more strident tone because of Bernie's success. She has railed against Wall Street and the banks, the drug companies and, of course the top one percent of taxpayers, who she and Bernie insist do not pay enough.

What Do the Voters Want? – Many voters have expected the government to do something, anything, to boost the economy. They believe the government has not made enough of an effort to reinvigorate the economy after "The Great Recession". If the country really was growing at a rate more consistent with the historical average of 3-3½%, the government's coffers would be flush. There would be less angst over the federal budget and greater willingness to consider enacting fiscal policy initiatives designed to stimulate the economy, rather than placing the burden of reviving the economy solely on the shoulders of the Federal Reserve. Although most voters do not connect all the dots, many in the workforce think they should be receiving a larger share of the economic pie in the form of greater income. Their aspirations will be realized only if a President and the Congress are able to craft a mutually agreeable compromise, which includes a more proactive approach to recharging the economy.

Two obvious targets for change are a simpler and fairer tax code and a comprehensive review of the regulatory burdens being placed on businesses at all levels of government. These government imposed impediments depress growth by discouraging new business formation and expansion of existing businesses.

What Awaits the Nation? – None of the three remaining Presidential candidates have provided a clear, comprehensive economic plan. They are too busy lobbing brickbats at one another. All have serious flaws, which they choose to minimize by targeting their opponents. Once the two major parties nominate their candidates, the ensuing debates will allow them to clarify their positions on a variety of topics, including the economy. The election in November will determine whether there is any chance of breaking the gridlock in Washington by providing a clear winner. The next five months are likely to be more entertaining than a three ring circus.

Back to Business and Investing – The economy continues to inch ahead in fits and starts. During the first quarter, growth was barely positive registering a pathetic gain of 0.5%. In addition, corporate earnings have fallen for the third consecutive quarter, only to be topped by five consecutive quarters of declining corporate revenue. On a more positive note, employment has continued to register monthly gains in the vicinity of 250,000 – respectable, but not exciting. Energy prices have surged since late January to $50 a barrel of oil, however that is still nearly twenty percent lower than a year ago. This recent surge has caused gasoline prices at the pump to move steadily higher since mid-February. It was expected lower energy prices would encourage consumers to spend this windfall income elsewhere, yet for some inexplicable reason this has not occurred and retail sales have continued to disappoint. The end result is the economy remains stuck in neutral.

Remember to this point in the recovery, the Federal Reserve has had to do all the heavy lifting as it has attempted to revive a sick economy. It has had to use every tool in its tool box, including some invented on the fly. Most notably, quantitative easing (i.e., Q.E.) was used to depress interest rates with the expectation lower rates would provide the economy a much needed lift. Unfortunately, Q.E. helps some sectors, such as auto sales, housing and borrowers in general, but it injures others, most notably savers and conservative investors. After five years of use, Q.E. has ceased to provide any meaningful benefit, yet the Federal Reserve has feared even a modest increase in interest rates will risk tipping the nation's economy into recession.

Now many economists are encouraging the Presidential candidates to alter course and identify fiscal policies (i.e., spending programs), which will provide a long overdue shot-in-the-arm to the economy. Conceptually, infrastructure spending appeals to many constituencies – politicians, labor unions, Wall Street, municipalities, yet it is like trying to extinguish a fire with a leaky hose. Does anyone remember the near $1 trillion infrastructure program early in President Obama's first term? All many remember is he touted "shovel ready" projects which were not shovel ready. In fact, they took several years to complete, so the impact was much less than expected. Our next President needs to address these economic problems with fresh eyes. If one thing is clear, Bernie and "The Donald" are both willing to offer new, somewhat unorthodox ideas. As suggested earlier a radical revision of the tax code and a serious attempt to provide substantive regulatory relief for small businesses are worthy of immediate attention. It is time for the politicians in Washington to understand their positions are in jeopardy if they do not focus on the common good instead of just big business interests and lobbyists. In case they have not received the message yet, to paraphrase a line from the old movie, "Network", "We're mad as hell and we're not going to take it anymore." Where are the real, visionary leaders when we need them?

Investment Prospects – In spite of the dull economy**,** stocks have recovered nicely after struggling in the first six weeks of the year. Momentum stocks are in the driver's seat for the moment, but that usually makes investors who focus on fundamentals uneasy. Price/earnings ratios are at the upper end of the range, which is cause for concern given the weak profit performance over the past several quarters. In addition to maintaining a well diversified portfolio, it is also a time to be more patient and selective. The fixed income market remains a challenge given the depressed level of interest rates. With the FED warning of rate increases, it is advisable to keep maturities relatively short and favor higher quality issues. Municipal bonds are an attractive choice.

Etcetera - Once a year all financial organizations are required by law to provide all of their clients a copy of the firm's privacy policy and practices. Ours is included with this letter. In addition, to help you keep abreast of the ever changing tax code, we are again providing you 2016 Tax Reference Guide, which includes helpful information relating to social security benefits, and college savings incentives. JML