



# INCISIVE INVESTOR

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## WEEK IN REVIEW: DOW, S&P 500 BOOK 2ND WEEKLY LOSS IN A ROW

### Review of the week ended August 18, 2017

- **Trump disbands CEO councils**
- **North Korea backs off Guam threat**
- **Japan's economy kicks into gear**
- **US investigating China trade**
- **UK publishes Brexit positions**

U.S. stock benchmarks closed firmly lower on Friday to register another unsightly week of losses as low volumes and skittish investors left Wall Street especially vulnerable to pullbacks.

The Dow Jones Industrial Average finished down 0.4%, at 21,674.51, having been down by as much as 110 points earlier in the session. The biggest drag on the average was Nike Inc. (NKE) with shares falling 4.4% while shares of Cisco Systems Inc. (CSCO) finished down 2.2% and Home Depot Inc. (HD) shares declined 1.5%.

The Dow suffering its largest two-week percentage decline since mid-September 2016. For the current week, the Dow shed 0.8%

The S&P 500 index declined 0.2%, to close at 2,425.55, with real estate, telecom and consumer-discretionary stocks leading the

index lower. The S&P 500 finished Friday for a second week of losses, losing 0.7%.

The tech-laden Nasdaq Composite Index closed down 0.1%, at 6,216.53. For the week, the Nasdaq finished down 0.6% marking the fourth week of losses for the Nasdaq, its longest weekly losing streak since May 2016.

On Friday stocks shifted between gains and losses as President Donald Trump's strategist Stephen Bannon departed the White House, following rumors that Trump's economic adviser Gary Cohn might resign. Adding to volatility was a terrorist attack in Barcelona that killed 14. The combination helped drive the Chicago Board Options Exchange Volatility Index (VIX) back up to 14.75 early Friday after the index declined to 11.25 on Wednesday. US 10-year Treasury note yields edged lower on the

week, to 2.19% from 2.21% a week earlier. Oil prices rose 3% Friday to settle at \$48.51 a barrel. Metals were higher across the board, as gold settled down less than 0.1% at \$1,291.60 an ounce after rising briefly above \$1,300 an ounce on increased haven demand.

## **Trump disbands CEO councils**

After several high-profile defections of corporate CEOs from two business advisory councils, President Trump this week dissolved the councils. Friction between the business leaders and the president came to a head in the wake of a Trump press conference on Tuesday in which the president blamed both sides for violence at a rally in Charlottesville, Virginia last weekend rather than single out racist hate groups.

## **GLOBAL NEWS**

### **North Korea backs off Guam threat**

North Korea regime announced this week that it will not target the area around Guam, a US island territory in the Pacific Ocean, quelling fears that its recent standoff with the US could lead to war. This week, China implemented United Nations sanctions, cutting off imports of North Korean coal, iron ore and seafood, further isolating the country and depriving it of hard currency that it often uses to bolster its nuclear program.

### **Japan's economy kicks into gear**

Fueled by increases in consumption and capital expenditures, Japan's economy expanded at a 4% annualized rate in the second quarter, far exceeding expectations of a 2.5% rise. The economy grew for a sixth straight quarter, while inflation, though mild, ticked up for a sixth month in June. The current robust pace is not expected to be sustained as economists forecast a slower pace of economic growth for the balance of the year amid lackluster wage gains.

### **US investigating China trade**

President Trump signed an order this week directing the Office of the United States Trade Representative to conduct an investigation into China's trade practices with regard to intellectual property theft and the forced transfer of technology in order to be granted access to Chinese markets. If China is found to be in violation, Trump can skirt the World Trade Organization and order tariffs under the Trade Act of 1974. Meanwhile, NAFTA negotiations are set to begin this week between the United States, Canada and Mexico. US Trade Representative Robert Lighthizer said the US is not looking for mere tweaks in the existing treaty, but substantial changes that assure balance and reciprocity.

## UK publishes Brexit positions

After being criticized by European Union negotiators for months, the British government published several position papers this week, laying out detailed viewpoints on border issues between Northern Ireland and the Republic of Ireland as well as on the need for a transitional customs union following Brexit.

British negotiators are trying to meet the EU demand that sufficient progress be made on a series of issues, including the Irish border, the rights of EU citizens living in the United Kingdom and the financial settlement, before negotiations on future relations between the UK and EU are taken up.

## THE WEEK AHEAD

Date	Country/Area	Release/Event
• Tue, Aug 22	eurozone	Economic sentiment survey
• Tue, Aug 22	Canada	Retail sales
• Wed, Aug 23	United States	New home sales
• Thu, Aug 24	US	Jackson Hole Fed symposium begins
• Fri, Aug 25	US	Durable goods orders



## Ways to Pay Less Taxes on Retirement Account Withdrawals- Part 1

There are several ways to minimize taxes as you pull money out of your retirement accounts. Consider these strategies to decrease taxes for your retirement account withdrawals.

**Avoid the early withdrawal penalty.** If you withdraw money from your traditional IRA before age 59 1/2, there's a 10 percent early withdrawal penalty, and that's in addition to the income tax due on each withdrawal. However, you can take penalty-free 401(k) withdrawals beginning at age 55, if you leave the job associated with that 401(k) account at age 55 or later.

**Roll over your 401(k) without tax withholding.** If you withdraw money from your 401(k) when you change jobs, 20 percent will be withheld for income tax. However, you can avoid the tax withholding, and the potential to trigger penalties and fees, if you transfer the money directly from your 401(k) to the trustee of another 401(k) or IRA.

**Remember required minimum distributions.** You are required to withdraw money from your traditional 401(k) and IRA after age 70 1/2. The penalty for missing a required withdrawal is 50 percent of the amount that should have been withdrawn. You can take a lump sum or set up monthly or quarterly transfers. Tax-wise it doesn't matter as long as you meet the requirements. You will be taxed on how much comes out in the calendar year whenever it comes out. However, if you are still working after age 70 1/2 and don't own 5 percent or more of the company you work for, you can continue to delay 401(k), but not IRA, withdrawals until you actually retire.

**Avoid two distributions in the same year.** Your first required minimum distribution is due by April 1 of the year after you turn 70 1/2. Your second and all subsequent distributions must be taken by Dec. 31 each year. If you delay your first distribution until April you will be required to take two distributions in the same year, which could result in an unusually high tax bill or even bump you into a higher tax bracket. It's probably better to do them in individual years so you are not doubling up on the taxes.

We will consider 4 additional ways to pay less taxes on your retirement accounts in a future newsletter. In the meantime, feel free to contact me if there are any questions:

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