



INCISIVE INVESTOR

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WEEK IN REVIEW: STOCKS END WITH STRONG MONTH & QUARTER

Review of the week ended September 29, 2017

- **S&P 500 and Nasdaq close at records**
- **US tax reform template would mean simpler system**
- **Japan to hold snap election**
- **December Fed hike odds rise**
- **US Q2 GDP revised upward**

U.S. stocks ended higher on Friday, with technology stocks leading the day's gains as the sector extended its recent rise. The Dow Jones Industrial Average rose 0.1% to 22,399. The S&P 500 rose 0.4% to 2,519. The Nasdaq Composite Index rose 0.7% to 6,496. Both the S&P and the Nasdaq ended at closing records, as did the Russell 2000, which added 0.2% on Friday.

For the week, the Dow rose 0.2% and the S&P rose 0.7% in their third straight weekly advance. The Nasdaq rose 1.1%. Small-cap stocks were the big gainers of the week, with the Russell gaining 2.8% over the past five sessions.

For the month of September, the Dow rose 2.1%, the S&P rose 1.9% and the Nasdaq rose 1.1%.

For the quarter, the Dow rose 4.8% and the S&P was up 4%, with both rising for an

eight straight quarters. The Nasdaq rose 5.8% in its fifth straight quarterly advance.

US 10-year Treasury note yields rose 8 basis points to 2.32% while West Texas Intermediate crude oil added \$1 a barrel, trading at \$51.50. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), slipped to 9.6 from 10 a week ago.

Trump, Republicans unveil tax reform plan

Still seeking his first major legislative accomplishment, US president Donald Trump this week unveiled a reform plan designed to simplify the cumbersome US tax code. Under the proposal, today's seven tax brackets would shrink to three (with the potential for an additional bracket for high-earners) and the corporate tax rate would be cut from 35% to 20%. The plan

would nearly double the standard deduction for most households and retain mortgage interest and charitable deductions while eliminating deductions for state and local taxes. The plan would end the estate tax and the alternative minimum tax. Trump has left many of the details of the plan in the hands of congressional leadership. Markets have greeted the proposal positively, pushing equities, bond yields and the dollar higher in anticipation of a faster pace of economic growth.

Fed stays on course despite low inflation

US Federal Reserve chair Janet Yellen this week said it would be imprudent to keep monetary policy on hold until inflation reaches the Fed's 2% core personal consumption expenditures target, making a December rate hike more likely. That inflation measure fell further below target on Friday, declining to 1.3% in August, year over year, from 1.4% in July. Yellen's comments, along with hopes for a broad tax cut, helped send Treasury yields higher this week.

US Q2 growth revised higher

According to estimates released this week by the Bureau of Economic Analysis, The US economy grew at an annual rate of 3.1%, a slight upward revision from last month's 3% reading. Despite the uptick in growth, corporate profits advanced at an annual

rate of just 0.1% in Q2, a sign that the broad economy is performing worse than large multinational firms, which have recorded two straight quarters of double-digit profit growth. Economic data for the next few quarters are likely to be noisy given the economic impacts of hurricanes Harvey, Irma and Maria.

GLOBAL NEWS

Japan's Abe calls snap election

With his popularity on the rebound after a series of summer scandals, Japanese prime minister Shinzo Abe dissolved parliament this week and called an election for October 22nd. Abe asked for a new mandate to deal with the growing threat from North Korea and said it is urgent that Japan's social security system be rebalanced in order to cope with the growing number of retirees.

Spanish government moves to squelch Catalan vote

Spanish authorities are moving to prevent an independence referendum from taking place in the Catalonia region on Sunday, October 1st. The vote has been ruled illegal by Spain's Constitutional Court. Some fear the government's heavy-handed approach may feed separatist sentiment, but Madrid appears to be willing to deal with the aftereffects at a later date in order to prevent Sunday's plebiscite.

THE WEEK AHEAD

Date	Country/Area	Release/Event
• Tue, Oct 3	United States	Motor vehicle sales
• Wed, Oct 4	Global	Services PMI
• Wed, Oct 4	Eurozone	Retail sales
• Thu, Oct 4	Eurozone	Sept. European Central Bank meeting minutes
• Thu, Oct 5	US	Trade balance
• Fri, Oct 6	US, Canada	September employment report

How Long Can Retirees Expect To Live Once They Hit 65?

Between 1950 and 2010, the additional remaining years expected after age sixty-five increase by 4.9 years for males and 5.3 years for females. Much of these gains took place more recently. Over the course of twenty years—from 1990 to 2010—males reaching sixty-five added 2.6 more years, while females could expect 1.4 more years.

Though demographers debate extensively whether humans have reached the peak of our potential longevity, or whether we are on the verge of seeing someone make it to 150, it is reasonable for planning purposes to at least expect such longevity trends to continue. If longevity improves by about one year per decade, today's thirty-five-year olds could expect to live three years longer than today's sixty-five-year olds.

Exhibit 1: Historical Data for Remaining Life Expectancy at Age 65

	Male	Female
1950	12.8	15
1960	12.8	15.8
1970	13.1	17
1980	14.1	18.3
1990	15.1	18.9
2000	16	19
2010	17.7	20.3

SOURCE:Center for Disease Control

