
Earnings Rise, Stocks Stumble

Weekly Update – April 30, 2018

We just finished the busiest week of 1st quarter earnings season, and although many companies shared positive results, stock indexes experienced modest declines.¹ The S&P 500 lost 0.01%, the Dow dropped 0.62%, and the NASDAQ gave back 0.37%.² International stocks in the MSCI EAFE decreased by 0.39%.³

Last week provided a variety of information for investors to take in. On Friday, we received the initial reading of 1st-quarter Gross Domestic Product (GDP). The data came in more positive than analysts expected, with the economy experiencing 2.3% growth.⁴ The latest employment readings also showed costs for benefits and pay rising at the fastest pace in a decade.⁵ On the geopolitical front, the leaders of North and South Korea met for historic talks that could result in denuclearizing the Korean peninsula.⁶

As we continue to watch these developments, we want to explore what's behind our current corporate earnings season.

A Deeper Analysis of Corporate Earnings

So far, this earnings season is the best on record.⁷ Of the S&P 500 companies with published data, 79.4% of them beat expectations.⁸ The outperformance is significant, too. On average, companies are 7.95% higher than projected.⁹

Despite these positive results, stock prices did not rise in reaction. Companies that beat expectations have only experienced an average of a 0.3% equity increase in the first day after their report.¹⁰ The disconnect between high earnings and low stock increases may be surprising. But when you look closer, lingering questions about corporate health are weighing on many investors' minds:

- Will higher costs—including wages and materials—decrease their profits moving forward?
- Could increasing treasury yields raise the cost of their debt?
- Will they continue to benefit from the new U.S. tax law, or is this earnings season an anomaly?¹¹

No one can say for sure what is on the horizon for corporate performance. On one hand, concerns about growing costs and inflation could erode investor confidence and hamper the markets' ability to regain previous highs.¹² On the other, consumer sentiment remains high—and experts predict that each year until at least 2020, S&P 500 companies will have double-digit growth.¹³

Looking ahead, we will monitor many different details to gain more insight into what the future may hold, including bond yields, wage costs, and inflation. For now, please contact us anytime if you have questions about current market conditions or your plans for the future.

ECONOMIC CALENDAR

Monday: Pending Home Sales Index

Tuesday: PMI Manufacturing Index, ISM Mfg Index, Construction Spending

Wednesday: ADP Employment Report

Thursday: Jobless Claims, Factory Orders, PMI Services Index, ISM Non-Mfg Index

Friday: Employment Situation

PERFORMANCE

DATA AS OF 4/27/2018	1 WEEK	SINCE 1/1/18	1 YEAR	5 YEAR	10 YEAR
STANDARD & POOR'S 500	-0.01%	-0.14%	11.77%	11.03%	6.69%
DOW	-0.62%	-1.65%	15.87%	10.57%	6.55%
NASDAQ	-0.37%	3.13%	17.70%	16.77%	11.38%
INTERNATIONAL	-0.39%	-0.39%	11.27%	3.38%	-0.44%

DATA AS OF 4/27/2018	1 MONTH	6 MONTHS	1 YEAR	5 YEAR	10 YEAR
TREASURY YIELDS (CMT)	1.62%	2.02%	2.24%	2.80%	2.96%

Notes: All index returns (except S&P 500) exclude reinvested dividends, and the 5-year and 10-year returns are annualized. The total returns for the S&P 500 assume reinvestment of dividends on the last day of the month. This may account for differences between the index returns published on Morningstar.com and the index returns published elsewhere. International performance is represented by the MSCI EAFE Index. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

QUOTE OF THE WEEK

"For every reason it's not possible, there are hundreds of people who have faced the same circumstances and succeeded."

— Jack Canfield

RECIPE OF THE WEEK

Spinach and Cheese Breakfast Pockets



Yields: 8

Ingredients:

2 large eggs, divided
1 cup ricotta cheese
1 cup baby spinach, roughly chopped
1 cup basil, chopped
¼ cup sun-dried tomatoes (about 9), finely chopped
¼ teaspoon red pepper flakes
Kosher salt
2 refrigerated rolled piecrusts (from 15-ounce box)
Sesame seeds, for sprinkling

Directions:

1. Preheat oven to 400°F.
2. Overlay large, rimmed baking sheet with parchment paper.
3. Mix 1 egg and 1 tablespoon water in a small bowl; set aside.
4. Put ricotta, spinach, basil, tomatoes, red pepper, the other egg, and ¼ teaspoon kosher salt into a medium bowl. Combine together.
5. After unrolling pie crusts, cut each into 4 wedges.
6. Put the ricotta mixture on 1 side of each of the wedges, about 3 tablespoons each.
7. Fold the wedges over the filling; press the edges with a fork to seal.
8. Put the wedges on the prepared baking sheet. Brush the tops of the wedges with the egg mixture. Sprinkle with sesame seeds (if desired).
9. Bake until the wedges are golden brown, 16-20 minutes.

Recipe adapted from Good Housekeeping¹⁴



You Have the Right to Challenge the IRS

The Internal Revenue Service, part of the U.S. Department of Treasury, has nearly 80,000 employees and an \$11.4 billion budget. Nevertheless, the IRS grants taxpayers certain inalienable rights; one of those is the right to challenge the agency and to be heard.

Taxpayers have the right to:

- Raise objections to agency rulings.
- Introduce additional documentation in response to IRS decisions.
- Expect the agency to consider their objections timely.
- Expect to receive a response if the agency disagrees with the taxpayer's position.

The IRS sometimes notifies taxpayers that their returns have mathematical or clerical errors. Here are taxpayers' rights in those cases:

- Taxpayers have 60 days to inform the IRS they disagree.
- They should provide copies of records to help correct the errors.
- They may call the number on the notice for help.
- They can expect the agency to make necessary adjustments and send corrections if the IRS upholds the taxpayer's position.

If the agency doesn't agree with the taxpayer's position, here is what happens next:

- The IRS will send a tax-adjustment notice by mail.
- The taxpayer has the right to challenge the adjustment by filing a challenge in [U.S. Tax Court](#). The petition must be filed within 90 days of the IRS notice.

Understanding your rights as a taxpayer makes tax filing easier, more equitable, and less stressful.

* This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Tip adapted from IRS.gov¹⁵



The Driver: Setting Up for Power and Accuracy

Sending the ball exactly where you want it to go requires proper positioning before the strike.

Here are some tips for smooth sailing on the golf course:

- Place the ball in front of you so it's just inside the front heel, which enables you to turn behind the ball during the swing.
- Keep your shoulders parallel to the target line. This allows you to play the ball up and helps prevent you from shifting your shoulders open.
- Following the windup, begin the downswing from the ground up. Move your knees and hips toward the target.
- Keep your back shoulder down and in on the downswing.

The secret to a successful strike is developing a strong upswing hit.

Tip adapted from Golf Digest¹⁶



How to Look and Feel Younger

OK. You've hit the big 6-0. Or the big 7-0. How about 8-0? Maybe even 9-0. But who's counting anymore? After you've reached a certain age, it's not the number of birthdays that matter. It's how you look and feel.

Here are 5 tips to keep you looking and feeling your absolute youngest:

1. **Hang out with your buddies.** Socializing may be the top contributor to looking and feeling youthful.
2. **Go artsy.** Getting creative makes you feel happy and think more clearly. It could be singing, painting, or drawing.
3. **Get moving.** Everyone knows exercise is good for you. But you don't have to go gung ho to reap its benefits. Shoot for 2½ hours of activity a week. It could be gardening or a brisk stroll around the block.
4. **Apply sunscreen.** Suntan lotion will not make you look younger. But it will protect you from the sun's damaging ultraviolet rays.
5. **Something new.** Learn a new skill or develop a new habit. The change will help keep your brain fresh and energized. It could be dancing or learning another language.

Short of a dip in Ponce de Leon's fountain of youth, a few lifestyle changes can make a big difference in turning back the clock.

Material adapted from WebMD¹⁷



How Can You Waste Less Food and Become Environmentally Responsible?

It's one of those obvious but mostly ignored facts of everyday life: wasted food. However, the statistics might surprise you.

About $\frac{1}{3}$ of the world's food intended for human consumption is lost or wasted. Sure, it might be easy to forget about those unfortunate leftovers, conveniently tossed in the trash. But all that wasted food is impacting this big, blue planet in a very bad way.

Wasted food generates billions of tons of greenhouse gases. Food production, processing, and transportation to grocery stores create nearly 3.3 billion tons of emissions—and that's from wasted foods alone.

Decomposing organic waste in landfills produces methane, a greenhouse gas that holds 23 times more heat in the atmosphere than carbon dioxide.

Nearly 25% of fresh, potable water in the United States is related to wasted food. Experts say global water consumption could be reduced by more than $\frac{1}{3}$ by eliminating food waste.

Here are 4 tips to curtailing food waste in your corner of the world:

1. Plan your meals before you go shopping. Go through your refrigerator and your pantry before making your shopping list.
2. Make reasonable serving sizes for your prepared meals.
3. Freeze or reuse leftovers.
4. Preserve produce with canning, freezing, pickling, or drying.

Tip adapted from Conservation International¹⁸

Share the Wealth of Knowledge!

Please share this market update with family, friends, or colleagues. If you would like us to add them to our list, you can have them check out our Web-site (www.thebacagroup.com) or let me know and I will add them to our list. We love being introduced!

Registered Representative with and Securities and Investment Advisory Services offered through Cetera Advisor Networks LLC (doing insurance business in CA as CFGAN Insurance Agency), member FINRA/SIPC. Cetera is under separate ownership from any other named entity. CA Insurance License #0423744

Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia, and Southeast Asia.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

These are the views of Platinum Advisor Strategies, LLC, and not necessarily those of the named representative, Broker dealer or Investment Advisor, and should not be construed as investment advice. Neither the named representative nor the named Broker dealer or Investment Advisor gives tax or legal advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. Please consult your financial advisor for further information.

By clicking on these links, you will leave our server, as the links are located on another server. We have not independently verified the information available through this link. The link is provided to you as a matter of interest. Please click on the links below to leave and proceed to the selected site.

¹ <https://www.reuters.com/article/us-usa-stocks-weekahead/rising-costs-inflation-on-radar-as-u-s-earnings-season-unfolds-idUSKBN1HY2Q8>

² <http://performance.morningstar.com/Performance/index-c/performance-return.action?t=SPX®ion=usa&culture=en-US>
<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=%21DJI®ion=usa&culture=en-US>
<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=@CCO>

³ <https://www.msci.com/end-of-day-data-search>

⁴ <http://wsj-us.econoday.com/byshoweventfull.asp?fid=485678&cust=wsj-us&year=2018&lid=0&prev=/byweek.asp#top>

⁵ <https://www.marketwatch.com/story/worker-compensation-rising-at-fastest-pace-since-2008-eci-finds-2018-04-27>

⁶ <https://www.cnbc.com/2018/04/27/us-stock-futures-dow-data-earnings-and-politics-on-the-agenda.html>

⁷ <https://www.bloomberg.com/news/articles/2018-04-27/fang-stocks-save-week-with-growth-angst-lurking-at-3-rates>

⁸ <https://www.cnbc.com/2018/04/27/us-stock-futures-dow-data-earnings-and-politics-on-the-agenda.html>

⁹ <https://www.bloomberg.com/news/articles/2018-04-27/companies-are-beating-earnings-predictions-at-fastest-rate-ever>

¹⁰ <https://www.bloomberg.com/news/articles/2018-04-27/fang-stocks-save-week-with-growth-angst-lurking-at-3-rates>

¹¹ <https://www.reuters.com/article/us-usa-stocks-weekahead/rising-costs-inflation-on-radar-as-u-s-earnings-season-unfolds-idUSKBN1HY2Q8>

¹² <https://www.reuters.com/article/us-usa-stocks-weekahead/rising-costs-inflation-on-radar-as-u-s-earnings-season-unfolds-idUSKBN1HY2Q8>

¹³ <https://www.marketwatch.com/story/consumer-sentiment-report-shows-taxes-tariffs-pulling-in-opposite-directions-2018-04-27>

<https://www.bloomberg.com/news/articles/2018-04-27/fang-stocks-save-week-with-growth-angst-lurking-at-3-rates>

¹⁴ <https://www.goodhousekeeping.com/food-recipes/easy/a47537/spinach-and-cheese-breakfast-pockets-recipe/>

¹⁵ <https://www.irs.gov/newsroom/the-right-to-challenge-the-irss-position-and-be-heard-taxpayer-bill-of-rights-4>

¹⁶ <https://www.golfdigest.com/story/timeless-driver-keys-basics-on-setting-up-for-power-and-accuracy>

¹⁷ <https://www.webmd.com/healthy-aging/ss/slideshow-feel-younger>

¹⁸ <https://www.conservation.org/pages/tips-to-live-green.aspx#waste-less-food>