Commentary

January 29, 2018

The Markets

The numbers are coming in.

Publicly-traded companies report their earnings and sales numbers for the previous quarter in the current quarter. For example, fourth quarter's sales and earnings are reported during the first quarter of the year, and first quarter's sales and earnings will be reported during the second quarter, and so on.

Through last week, about one-fourth of the companies in the Standard & Poor (S&P)'s 500 Index had reported actual sales and earnings for the fourth quarter of 2017. As far as sales go, a record number – 81 percent – of companies sold more than expected during the fourth quarter. That was quite an improvement. *FactSet* reported:

"During the past year (four quarters), 64 percent of the companies in the S&P 500 have reported sales above the mean estimate on average. During the past five years (20 quarters), 56 percent of companies in the S&P 500 have reported sales above the mean estimate on average."

The mean is the average of a group of numbers.

The money a company makes through sales is called revenue. For instance, if a lemonade stand sells 100 glasses of lemonade for $1 each, then the proprietors have earned $100. That is the stand's 'revenue.' Of course, as every parent who has financed a lemonade stand knows, revenue doesn't include the cost of the product. 'Earnings' are what the company has left after expenses – the bottom line. If every glass of lemonade cost 50 cents, then the stand's earnings are $50.

Companies in the S&P 500 are doing pretty well on earnings, too. About three out of four companies have reported earnings higher than expected. Overall, earnings are 4.5 percent above estimates.

Through Friday, annual earnings growth for S&P 500 companies was 10.1 percent. It's still early in the fourth quarter earnings season, but the data so far seem likely to confirm that 2017 was a bright, sun-shiny year for U.S. companies.

Data as of 1/26/18	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	2.2%	7.5%	25.1%	11.8%	13.9%	7.8%
Dow Jones Global ex-U.S.	1.9	7.0	28.2	7.8	5.5	1.6
10-year Treasury Note (Yield Only)	2.7	NA	2.5	1.8	2.0	3.6
Gold (per ounce)	1.4	4.4	13.7	1.8	-4.0	3.9
Bloomberg Commodity Index	2.6	3.0	2.9	-3.4	-8.4	-7.1
DJ Equity All REIT Total Return Index	1.7	-2.8	4.6	2.8	8.2	7.4

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.
Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.
Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

CERTAIN PARTS OF THE CIRCULAR ECONOMY probably adapt to cities and towns better than they do to rural areas.

What is the circular economy?

It is "a system that reduces waste through the efficient use of resources. Businesses that are part of the circular economy seek to redesign the current take/make/dispose economy, a model which relies on access to cheap raw materials and mass production. For example, car sharing addresses the inefficiency of privately owned cars – which are typically used for less than one hour a day," explains *Morgan Stanley*.

Imagine not owning a car.

Clearly, it's not something that would work everywhere. However, if you live in a city or town that has public transportation, ride sharing, car rentals, and bicycles, it's possible. If you're retired and you can organize your days in the way you like, it may even be sensible because owning a car is expensive. Transportation costs are the second highest budget item for most households, reports *U.S. News*. Housing costs top the list.

Giving up a car could help households save a lot of money.

According to *AAA*, owning and operating a new car in 2017 cost about $8,469 annually, on average, or $706 a month. Small sedans are the least costly ($6,354 per year), on average, and pickup trucks are the most expensive ($10,054 per year), on average, of the vehicles in the study. The calculations include sales price, depreciation, maintenance, repair, and fuel costs.

AAA's estimate does not include insurance. In 2017, the national average premium for a full-coverage policy was $1,318 annually, according to *Insure.com*. Auto insurance premiums are highest in Michigan ($2,394) and lowest in Maine ($864).

Combining the averages, the cost of auto ownership is almost $10,000 a year. It's food for thought.

Weekly Focus – Think About It

"Conservation is a state of harmony between men and land."
--*Aldo Leopold, American author and conservationist*

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* 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.
* Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
* The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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* Consult your financial professional before making any investment decision.

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