Understanding Record Highs

Weekly Update – September 18, 2017

After briefly stumbling the week of September 4, domestic indexes notched significant gains last week and hit record highs. By Friday, the S&P 500 exceeded 2,500 for the first time, the Dow closed at its highest level ever, and the NASDAQ reached an intraday record.[1] Each of the indexes gained well over 1% for the week, with the S&P 500 adding 1.58%, the Dow jumping 2.16%, and the NASDAQ increasing 1.39%.[2] International stocks in the MSCI EAFE also performed well, with a weekly gain of 0.55%.[3]

When looking at these sizable increases, you might expect that positive data and geopolitical calm filled the news last week. Instead, we experienced a number of occurrences that could have derailed stock performance:

- North Korea tested another missile
- London experienced a terrorist attack[4]
- Industrial production declined in August
- Retail sales fell in August[5]

So, why did stocks rise despite these less-than-stellar updates?

Of course, it goes without saying that the markets are incredibly complex. You can rarely, if ever, point to a single reason for their performance. Still, a few details may help put this week's seemingly incongruous gains into perspective.

1. **Investors mostly ignored North Korea and the London bombing.**
   Rather than running to less volatile investments after both geopolitical events, typical havens actually declined. After over a dozen North Korean missile tests and multiple London terror attacks this year, investors may simply be feeling complacent about these occurrences. Instead, many are looking to the Fed's meeting this week as a market catalyst.[6]

2. **Weather affected industrial production and retail sales.**
   Hurricane Harvey likely pushed down both industrial production and retail sales in August, meaning these data-declines may be temporary. In addition, mild weather on the East Coast meant less air conditioner use—decreasing utility output for industrial production.[7]

3. **The Consumer Price Index (CPI) jumped.**
   After missing expectations for five months in a row, the CPI—a measure of inflation—beat estimates for August. If upcoming months continue this positive performance, which the hurricanes make more likely, the Federal Reserve may be more likely to raise interest rates in December.[8]

What is on the horizon?

Hurricanes Harvey and Irma could continue to affect economic data in the fourth quarter by driving down retail sales and increasing the Consumer Price Index. We may need to wait a few months before we can see the true trends underlying the data.[9] For now, we will continue to track market performance and investor sentiment, and seek out accurate information amidst the hype.

In the meantime, we also want to help ensure you have the information you need to address another critical topic in the financial world: protecting your identity. With Equifax announcing that its data breach may have affected 143 million customers' most important personal information, many Americans need to take steps to secure their accounts.[10] To get full details on the breach and its potential impact to you go to www.equifax.com/personal. If you have questions about what steps to take next—and how to help prevent identity theft—please contact us to talk.

ECONOMIC NEWS

Monday: Housing Market Index
Tuesday: Housing Starts
Wednesday: Existing Home Sales, FOMC Meeting Announcement
Friday: PMI Composite Flash

PERFORMANCE

DATA AS OF 9/15/2017	1 WEEK	SINCE 1/1/17	1 YEAR	5 YEAR	10 YEAR
STANDARD & POOR'S 500	1.58%	11.68%	16.44%	11.27%	5.35%
DOW	2.16%	12.68%	22.27%	10.38%	5.18%
NASDAQ	1.39%	19.79%	22.84%	15.16%	9.50%
INTERNATIONAL	0.55%	16.65%	17.19%	4.58%	-1.04%
DATA AS OF 9/15/2017	1 MONTH	6 MONTHS	1 YEAR	5 YEAR	10 YEAR
TREASURY YIELDS (CMT)	0.98%	1.17%	1.30%	1.81%	2.20%

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.

"Every individual matters. Every individual has a role to play.
Every individual makes a difference."

– Jane Goodall

Beefy Corn and Black Bean Chili

Serves 6

Ingredients:

1 lb ground beef
1 16-oz bag of seasoned, frozen black beans and corn
2 tsp no-salt chili powder mix
1 can (14 ounces) beef broth
1 can (14 ounces) tomato sauce with chili seasoning
Sour cream (optional)
Green onions, sliced (optional)

Directions:

1. Add ground beef and chili spices to a large Dutch oven or pot.
2. Cook seasoned beef on medium-high heat until just browned (about 6 minutes). Stir to crumble beef as it cooks.
3. Drain fat from cooked beef.
4. Add beans, corn, tomato sauce, and beef broth to pot, and bring mixture to a boil.

5. Cover pot and reduce heat, simmering for 10 minutes.
6. Remove lid and simmer 5 minutes longer.
7. Serve and garnish with sour cream and green onions.

Recipe adapted from MyRecipes[11]

Deductions for Job Searches

Searching for a job can be a long, arduous process. Fortunately, one benefit job seekers may be able to enjoy is the ability to deduct some job-search expenses on their federal tax returns. When looking for a position in the same line of work, you may be able to write off certain related expenses, regardless of whether you found a job. Here are some details to keep in mind:

Deductible Costs
Not every cost is deductible when searching for employment. Here are some common deductions:

- **Resumes:** You can deduct costs from printing your resumes and mailing them to employers.
- **Travel costs:** If you need to travel for your job search, you can deduct related expenses, such as transportation and lodging.
- **Placement agency:** Fees you pay for help from an employment or job placement agency are deductible.

Non-Deductible Costs
You cannot deduct some expenses when searching for a job, such as those related to:

- Changing the industry you work in
- Taking a long break between being an employee
- Looking for your first job

Other details may apply, and you can find more information on the IRS website.

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

Tip courtesy of IRS.gov[12]

Splash in the Sand to Improve Your Bunker Play

Cleanly getting out of a sand trap can be tricky, and many golfers consistently struggle to hit solid shots from a bunker. However, with some slight tweaks, you can improve your bunker shot and move beyond the sand. The key is having the right perspectives and choosing the right club for the job.

Avoid the Standard Approach
Golfers will frequently hit two inches behind the ball and then slam the sand so it explodes. While this technique may be common, that doesn't make it the best option. Doing so can cause you to tense your hands and cause you to bury your club in the sand—making you either blade your ball over the green or leave it in the bunker.

Correct Your Approach

1. Disregard the sand for a moment and envision your normal, full swing and stance.
2. Choose your club by the length of your bunker shot, which could be anything from a 60-degree wedge to a 9-iron. Two factors will affect this choice: your distance from the pin and how much green you have ahead.
3. Focus on trying to "splash" your club into the sand, rather than explode or hit it. Control your hand's sense of feel and maintain constant pressure, and aim to create a splash divot of 6 to 8 inches and roughly ½-inch deep.

Note: Using the same swing technique, you'll want to use less lofted clubs for longer bunker shots, and swing softer for harder sand.

Tip courtesy of Randy Chang | Golf Tips Magazine[13]

Eat These Foods to Keep Skin Healthy

Skin is the body's largest organ, and the food choices we make can either help or hurt its health. Here are some common foods and minerals you can eat to help keep your skin nourished and hydrated.

Selenium

The mineral selenium may help you protect your skin from free radicals that create wrinkles, dry skin, and tissue damage. Consuming selenium may even assist in preventing skin cancer. Here are some foods with high amounts of selenium:

- Brazil nuts
- Button mushrooms
- Lamb
- Oysters
- Shrimp
- Whole-wheat pasta

Vitamin A

Consuming vitamin A can help you avoid flaky, dry skin. Vitamin A can also help improve wrinkles and brown spots, especially if you use a skin product that includes the vitamin. Here are some foods that provide vitamin A in your diet:

- Cantaloupe
- Carrots
- Eggs
- Leafy greens
- Low-fat dairy foods
- Oranges

Tips courtesy of WebMD[14]

Buying Forest Stewardship Council (FSC)–Certified Products

Do you know the source of the wood products you use? If not, the printer paper, newly built deck, or other wood-based products you use could be destructing forest ecosystems and threatening wildlife. You can help protect these forests by opting to buy wood products with the FSC certification.

How do wood products hurt ecosystems?
When wood comes from illegal, uncontrolled forestry operations, its harvest can destroy important forests, threatening indigenous tribes and local communities that rely on these lands for their livelihood. Removing forests also wipes away the homes of animals that depend on them, such as orangutans and elephants. The United States is among the world's major consumer countries that together import roughly $6 billion of illegally harvested wood each year.

What is FSC–Certified wood?
The Forest Stewardship Council is the only global certification system in forest management that uses an independent third-party to rank practices for social, environmental, and economic standards. Products with an FSC certification are verified to be responsibly sourced, with no forest ecosystems harmed during the harvesting process.

You can learn more about the FSC certification on The Nature Conservancy's website.

Tip courtesy of The Nature Conservancy[15]

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!

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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.

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[1] https://www.cnbc.com/2017/09/15/us-stocks-weekly-gains-fed-retail.html

[2] http://performance.morningstar.com/Performance/index-c/performance-return.action?t=SPX&region=usa&culture=en-US

http://performance.morningstar.com/Performance/index-c/performance-return.action?t=!DJI&region=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] https://www.bloomberg.com/news/articles/2017-09-14/yen-jumps-after-report-of-north-korea-missile-markets-wrap

[5] https://www.cnbc.com/2017/09/15/us-stocks-weekly-gains-fed-retail.html

[6] https://www.bloomberg.com/news/articles/2017-09-14/yen-jumps-after-report-of-north-korea-missile-markets-wrap

http://www.reuters.com/article/us-usa-stocks/wall-street-hits-record-highs-sp-500-pierces-2500-idUSKCN1BQ1HK

[7] http://www.ftportfolios.com/Commentary/EconomicResearch/2017/9/15/industrial-production-declined-0.9percent-in-august

http://www.ftportfolios.com/Commentary/EconomicResearch/2017/9/15/retail-sales-declined-0.2percent-in-august

[8] https://www.bloomberg.com/news/articles/2017-09-14/u-s-inflation-picks-up-ending-five-month-streak-of-misses

[9] http://www.ftportfolios.com/Commentary/EconomicResearch/2017/9/15/retail-sales-declined-0.2percent-in-august

http://www.ftportfolios.com/Commentary/EconomicResearch/2017/9/14/the-consumer-price-index-rose-0.4percent-in-august

[10] http://www.chicagotribune.com/business/ct-equifax-data-breach-0917-biz-20170915-story.html

[11] http://www.myrecipes.com/recipe/beefy-corn-black-bean-chili

[12] https://www.irs.gov/newsroom/job-search-expenses-can-be-tax-deductible-2017

[13] https://www.golftipsmag.com/instruction/short-game/better-bunker-play-splash

[14] http://www.webmd.com/beauty/ss/slideshow-skin-foods

[15] https://www.nature.org/greenliving/gogreen/everydayenvironmentalist/buy-fsc-its-good-wood.xml