**Weekly Market Commentary**

**April 23, 2018**

**The Markets**

The world is in debt.

The April 2018 *International Monetary Fund (IMF) Fiscal Monitor* reported global debt has reached a historically high level. In 2016, debt peaked at 225 percent of global gross domestic product (GDP) (the value of all goods and services produced across the world). Public debt is a significant component of global debt. The *IMF* wrote:

“For advanced economies, debt-to-GDP ratios have plateaued since 2012 above 105 percent of GDP – levels not seen since World War II – and are expected to fall only marginally over the medium term…In emerging market and middle-income economies, debt-to-GDP ratios in 2017 reached almost 50 percent – a level seen only during the 1980s’ debt crisis – and are expected to continue on an upward trend.”

There are numerous reasons high levels of government debt (the amount a government owes) and significant deficits (the difference between how much a government takes in from taxes and other sources and how much it spends) are a cause for concern:

* **Higher interest payments.** Governments typically finance debt by issuing government bonds. When bonds mature, the government issues new debt. If interest rates have risen, the cost of that debt increases. As a result, high debt levels can make tax hikes and spending cuts a necessity, explained the *Committee for a Responsible Federal Budget*.
* **Lower national savings and income.** You may have heard the phrase, “Robbing Peter to pay Paul,” which means taking money from one source to pay another. When a country runs a deficit, a similar thing happens. In *The Long-Run Effects of Federal Budget Deficits on National Saving and Private Domestic Investment*, the *Congressional Budget Office* explained, “…a dollar’s increase in the federal deficit results in…a 33 cent decline in domestic investment.”
* **The tax lag.** In his book, *Do Deficits Matter?,* Daniel Shaviro suggests sustained deficit spending creates a ‘tax lag’ by shifting responsibility for current spending onto future generations.

The *IMF Fiscal Monitor* wrote, “countries need to build fiscal buffers now by reducing government deficits and putting debt on a steady downward path.”

Last week, the interest rate on 10-year U.S. Treasuries rose above 2.9 percent, which raised concerns about inflation. Markets moved higher early in the week and tumbled later in the week. The major U.S. stock indices finished the week higher.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Data as of 4/20/18** | **1-Week** | **Y-T-D** | **1-Year** | **3-Year** | **5-Year** | **10-Year** |
| Standard & Poor's 500 (Domestic Stocks) | 0.5% | -0.1% | 13.3% | 8.3% | 11.3% | 6.8% |
| Dow Jones Global ex-U.S. | 0.3 | 0.1 | 16.4 | 3.5 | 4.4 | 0.2 |
| 10-year Treasury Note (Yield Only) | 3.0 | NA | 2.2 | 1.9 | 1.7 | 3.7 |
| Gold (per ounce) | -0.5 | 3.1 | 4.3 | 3.8 | -1.3 | 3.8 |
| Bloomberg Commodity Index | 0.6 | 1.9 | 6.4 | -3.9 | -7.3 | -8.2 |
| DJ Equity All REIT Total Return Index | -0.8 | -8.6 | -6.1 | 0.9 | 5.4 | 6.1 |

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.

**are you an INsect Gourmet?** Throughout history, people have eaten bugs. According to *National Geographic*, hunter-gatherers probably learned which insects were edible by watching birds. People’s appetite for bugs didn’t disappear as they became more civilized. Pliny, a Roman scholar, wrote beetle larvae fed a diet of flour and wine were a favorite snack of aristocratic Romans.

The tradition of eating insects continues today.

According to *National Geographic*, “Gourmands in Japan savor aquatic fly larvae sautéed in sugar and soy sauce. De-winged dragonflies boiled in coconut milk with ginger and garlic are a delicacy in Bali. Grubs are savored in New Guinea and aboriginal Australia. In Latin America cicadas, fire-roasted tarantulas, and ants are prevalent in traditional dishes.”

Reuters said in Germany, Netherlands, and Belgium, shoppers can buy burgers made of buffalo worms (the larvae of buffalo beetles) at the local grocery. It’s a visually pleasing product, according to one of the burger company’s founders, because the insects don’t show.

In North Carolina, diners can order a tarantula burger, described as “…a hamburger topped with a crunchy full-grown, oven-roasted tarantula.” It comes with a side of fries – and possibly a drink to wash it down as fast as possible. Other restaurants across the United States offer fried silkworm larvae, red ant salad, cricket crab cakes and cricket pastry, and grasshopper rolls, according to Reuters and Spoon University.

Bon appetit! (Or should that be bug appetit?)

**Weekly Focus – Think About It**

“Then I say the earth belongs to each of these generations during its course, fully, and in their own right. The 2d. generation receives it clear of the debts and encumbrances of the 1st., the 3d. of the 2d. and so on. For if the 1st. could charge it with a debt, then the earth would belong to the dead and not the living generation. Then no generation can contract debts greater than may be paid during the course of its own existence.”

*--Thomas Jefferson, Third President of the United States and*

*principal author of the Declaration of Independence*

Best regards,

Adam B. Hartung, CFP®, AIF®

President

Midwest Money Management

17316 Kenyon Ave

Suite 104

Lakeville, MN 55044

[952-895-1055](tel:952-895-1055)

[Adam@MidwestMoneyManagement.com](mailto:Adam@MidwestMoneyManagement.com)

[www.midwestmoneymanagement.com](http://www.midwestmoneymanagement.com)

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

Securities offered through Parkland Securities, LLC, Member FINRA/SIPC.

\* These views are those of Carson Group Coaching, and not the presenting Representative or the Representative’s Broker/Dealer, and should not be construed as investment advice.

\* This newsletter was prepared by Carson Group Coaching. Carson Group Coaching is not affiliated with the named broker/dealer.

\* 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.

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

\* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

\* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

\* You cannot invest directly in an index.

\* Stock investing involves risk including loss of principal.

\* Consult your financial professional before making any investment decision.

\* To unsubscribe from the “Weekly Market Commentary” please reply to this e-mail with “unsubscribe” in the subject line, or write us at 17316 Kenyon Ave, Suite 104, Lakeville, MN 55044.

Sources:

<http://www.imf.org/en/Publications/FM/Issues/2018/04/06/fiscal-monitor-april-2018> (Click on Chapter 1, Full Text of Chapter 1, page 1)

<https://www.investopedia.com/articles/personal-finance/081315/debt-vs-deficit-understanding-differences.asp>

<http://www.crfb.org/blogs/marc-goldwein-national-debt-yes-rising-annual-deficits-threaten-us-economy>

<http://www.cbo.gov/sites/default/files/cbofiles/attachments/45140-NSPDI_workingPaper.pdf> (Page 6)

<http://www.press.uchicago.edu/Misc/Chicago/751120.html>

<https://www.nasdaq.com/article/stock-market-news-for-apr-20-2018-cm950849>

<http://online.barrons.com/mdc/public/page/9_3063-economicCalendar.html> (Click on “U.S. & Intl Recaps,” then "Geopolitical concerns ease")

<https://news.nationalgeographic.com/news/2004/07/0715_040715_tvinsectfood.html>

<https://www.reuters.com/article/us-germany-food-insectburger/german-shoppers-sample-burgers-made-of-buffalo-worms-idUSKBN1HS0JF>

<https://www.reuters.com/article/us-north-carolina-tarantula-burger/you-want-tarantula-with-that-at-u-s-burger-joint-its-an-option-idUSKBN1HO29S>

<https://spoonuniversity.com/place/us-restaurants-that-serve-insect-dishes>

<http://library.intellectualtakeout.org/content/quotes-united-states-national-debt-budget-deficits>