

Commentary

March 26, 2018

The Markets

Why am I saving and investing?

After a week like last week, it's an important question. There are many reasons people save and invest, including to:

- Live the life they want today and in the future
- Accumulate resources so they're prepared for any bumps in the road
- Provide an education for their children
- Offer assistance to parents
- Support a young person with a disability
- Do good in the world
- Live comfortably in retirement without anxiety

However, none of these reasons have anything to do with short-term market fluctuations.

Last week, major U.S. stock indices experienced a selloff, and we saw a dramatic downturn in stock markets. The Dow Jones Industrial Average was down 5.7 percent, the Standard & Poor's 500 index lost 6 percent, and the NASDAQ fell 6.5 percent, reported *Barron's*.

Those are big moves for a single week. The kind of moves that light up the emotion centers of investors' brains and make them want to sell.

It's not a new phenomenon. In 2002, in an article for *CNN Money*, Jason Zweig explained the brain's potentially negative influence on investment decisions, "But in the world of investing, a panicky response to a false alarm – dumping all your stocks just because the Dow is dropping – can be as costly as ignoring real danger. For one thing, it can cause you to flee the market at a low point and miss out when the market bounces back. A moment of panic can also disrupt your long-term investing strategy."

So, what happened last week? In short:

- **The Fed raised rates, as expected.** The Federal Reserve raised the Fed funds rate by a quarter of a percent, which may benefit savers and investors, but will make borrowing more expensive.
- **Tariffs triggered trade war worries.** The Trump administration levied tariffs on China, raising concerns of a global trade war.
- **You're fired!** There was additional turnover among senior advisers to President Trump.
- **Can they do that?** British news reported a data analytics firm has been influencing elections around the world in some unsavory ways.
- **Don't share my data!** There was news a social media firm had shared the personal data of thousands with a researcher who shared it with a third-party firm without permission.
- **Sigh. Another data breach.** An online travel company experienced a data breach that may have exposed the personal information of 880,000 users.
- **The economy is chugging along.** Last week's U.S. economic releases were overshadowed by everything else, but many indicated a strengthening economy, reported *Barron's*.

That's a lot to take in over the span of five days. The critical thing is to recognize these short-term events are unlikely to change your long-term financial goals. Financial decisions, including buying and selling investments, are important and can be life shaping. They should be grounded by long-term financial goals and foundational principles of investing. They should not be based on the brain's instinctive fear and flight response.

Data as of 3/23/18	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-6.0%	-3.2%	10.3%	7.1%	10.8%	6.7%
Dow Jones Global ex-U.S.	-2.7	-2.1	13.4	3.3	3.8	0.9
10-year Treasury Note (Yield Only)	2.8	NA	2.4	1.9	1.9	3.5
Gold (per ounce)	2.8	3.9	7.9	4.3	-3.4	3.8
Bloomberg Commodity Index	0.1	-0.8	3.4	-4.4	-8.7	-7.9
DJ Equity All REIT Total Return Index	-4.0	-10.0	-3.7	0.9	6.3	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.

LET'S TAKE A GOOD NEWS BREAK. After last week, we could all use some good news. Here are 10 intriguing headlines from the *Good News Network*:

1. Scientists Believe They Found a Way to Stop Future Hurricanes in Their Tracks
2. Strangers Rally Around 13-Year-old Whose Rock Museum was Robbed
3. Dog that Shoplifted a Book on 'Abandonment' is Given the Love It was Asking For
4. Stranger Becomes Honorary Grandma After She Opens Home to Stranded Father in Distress
5. We're Not Spinning a Yarn Here: Knitting May Boost Health and Happiness
6. Robot Becomes Part of the Community After Easing Daily Burden of Water Collection in Remote Village
7. Instead of Using Trees, Scientists are Making Sustainable Paper Out of Manure
8. World's First Mass-Produced, 3D-Printed Car is Electric and Costs Under \$10K
9. This Pollution-Gobbling City Bench Can Absorb as Many Toxins as 275 Trees
10. Free Clothing Hung on Streets to Help the Homeless Stay Warm

There is a lot of good news in the world. Unfortunately, it doesn't pack a wallop like bad news does, so we hear less about it.

Weekly Focus – Think About It

“When the weather changes, nobody believes the laws of physics have changed. Similarly, I don't believe that when the stock market goes into terrible gyrations its rules have changed.”

--Benoit Mandelbrot, *Mathematician and polymath*

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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.

* 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.

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