**Amy L Smith Financial Services**

**Weekly Market Commentary**

**The Markets**

Deal or no deal?

Last week opened with heightened trade tensions between the United States and its allies. It closed with the United States imposing new tariffs on $50 billion of Chinese goods. The Chinese declared it was the start of a trade war, reported *Financial Times*.1

U.S. markets largely ignored the potential impact of trade wars on multiple fronts. *Barron’s* reported the Dow Jones Industrial Average, which includes companies that are vulnerable to tariffs, moved slightly lower. However, the Standard & Poor’s 500 Index shrugged off the possibility of trade wars, and the NASDAQ Composite gained more than 1 percent.2

While *Barron’s* has written the largest risk to the U.S. stock market is the possibility of global trade wars, it appears many investors believe tariffs are a negotiating tactic.2, 3 *Barron’s* reported:2

“The market’s apparent indifference suggests it doesn’t see these tariffs as the reincarnation of Smoot-Hawley, but just the latest in President Trump’s negotiating tactics. Moving away from his denunciation of Kim Jong-un as “Little Rocket Man” inviting “fire and fury” by missile launches, Trump last week declared the threat from North Korea neutralized. Similarly, many professional investors view the bluster on tariffs as part of Trump’s negotiating tactics, rather than the start of an actual trade war.”

News that monetary policy is becoming less accommodating in certain regions of the world didn’t have much impact on markets either. *Reuters* reported the Federal Reserve raised its benchmark rate 0.25 percent last week. The European Central Bank is ending its bond-buying program and gave notice it expects to begin raising rates next summer. The Bank of Japan is still easing.2, 4

There was a lot of red ink in Asian emerging markets. China’s Shanghai Composite finished the week lower, as well. However, stock markets in Canada and Mexico finished the week higher.5

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| **Data as of 6/15/18** | **1-Week** | **Y-T-D** | **1-Year** | **3-Year** | **5-Year** | **10-Year** |
| Standard & Poor's 500 (Domestic Stocks) | 0.0% | 4.0% | 14.3% | 10.1% | 11.1% | 7.4% |
| Dow Jones Global ex-U.S. | -1.0 | -2.6 | 8.3 | 3.4 | 3.8 | 0.4 |
| 10-year Treasury Note (Yield Only) | 2.9 | NA | 2.2 | 2.4 | 2.2 | 4.2 |
| Gold (per ounce) | -1.0 | -0.9 | 2.5 | 2.9 | -1.5 | 3.8 |
| Bloomberg Commodity Index | -2.5 | -0.5 | 8.4 | -4.4 | -7.7 | -9.1 |
| DJ Equity All REIT Total Return Index | -0.7 | -2.0 | 0.3 | 7.5 | 7.9 | 6.9 |

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.

**sorry America, you’re not in the tournament.** If you’ve been watching the World Cup – the global soccer championship – you’ve probably seen the commercials entreating Americans to root for another country since we don’t have a team playing. The ads offer encouragements like, “Iceland could really use your support. We don’t have enough people to do the wave,” and “Cheer for Germany. We gave you the frankfurter!”6

If you haven’t already chosen a favorite team, you may want to consider (or not) the insight of economists before making your choice. Since the demise of Paul, the octopus that successfully predicted winners during the 2010 final, various firms’ economists have offered opinions about this year’s possible winner. *Financial Times* reported:7

* Multinational analysts at a Japanese bank concluded “…using portfolio theory and the efficient-markets hypothesis as well as data on the value, form, and historical performance of players, that France will beat Spain in the final, with Brazil in third place.”
* A German bank predicted Germany will win, and so did a Swiss bank that relied on unspecified econometric tools to determine that Germans have a 24 percent chance of victory.
* A Dutch bank concluded Spain will be the big winner.

Perhaps the most interesting analysis was done by the Toulouse School of Economics, which employed automated face-reading software on World Cup sticker albums from the 1970s through the present. They found teams that did better in the group stage had players who looked happier or angrier on the stickers. Happiness showed confidence and anger led to fewer goals allowed.7

**Weekly Focus – Think About It**

“Winning is great, sure, but if you are really going to do something in life, the secret is learning how to lose. Nobody goes undefeated all the time. If you can pick up after a crushing defeat, and go on to win again, you are going to be a champion someday.”

*--Wilma Rudolph, American sprinter and Olympic champion*8

Best regards,

Amy L. Smith\*

Financial Advisor

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 email with their email address and we will ask for their permission to be added.

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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.

\* The foregoing information has been obtained from sources considered to be reliable, but we do not guarantee it is accurate or complete.

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

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Sources:

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4 <https://www.reuters.com/article/us-japan-economy-boj/boj-to-keep-policy-unchanged-focus-on-causes-of-weak-prices-idUSKBN1JA38J>

5 <http://www.barrons.com/mdc/public/page/9_3063-economicCalendar.html?mod=BOL_Nav_MAR_other> (Click on U.S. & Intl Recaps, “Central banks, tariffs – a busy week,” then scroll down to the market recap chart) (*or go to* <https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/06-18-18_Barrons-Global_Stock_Market_Recap-Footnote_5.pdf>)

6 <http://creativity-online.com/work/volkswagen-jump-on-the-wagen/54786>

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8 <https://ftw.usatoday.com/2016/02/best-sports-quotes-about-winning>