**Weekly Market Commentary**

**July 2, 2018**

**The Markets**

There’s a bear in China - and it’s not a panda.

The Shanghai Stock Exchange (SSE) Composite Index, which reflects the performance of all shares that trade on the Shanghai Stock Exchange, dropped into bear market territory last week, reported *CNBC*. The Index has fallen more than 20 percent from its previous high. It appears some investors saw an opportunity and bought the dip since the SSE Index bounced higher last Friday, gaining more than 2 percent.

Slower economic growth and rising trade tensions were responsible for much of the red ink in China, reported *Barron’s*, but the Chinese government may be playing a role, too:

“What’s got global market watchers worried is that China’s stocks are sliding in tandem with its currency, the renminbi or yuan...That suggests China is using the exchange rate as a weapon. ‘The most effective way for China to retaliate [against] rising U.S. tariffs is to weaken the yuan,’ according to the July Bank Credit Analyst. That could roil financial markets, however. The dual declines in China’s equity market and currency are raising concerns of a repeat of 2015. Treasury strategists at NatWest Markets recall that the drop in the yuan that summer sparked severe equity market losses, including a 10.5 percent correction in the S&P 500.”

That may explain, in part, why U.S. Treasury bills were so popular last week, although it probably didn’t hurt the yield on short-term Treasuries was roughly equivalent to the dividends paid by the Standard & Poor’s 500 Index.

The coming weeks may deliver more excitement than Fourth of July fireworks.

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| **Data as of 6/29/18** | **1-Week** | **Y-T-D** | **1-Year** | **3-Year** | **5-Year** | **10-Year** |
| Standard & Poor's 500 (Domestic Stocks) | -1.3% | 1.7% | 12.3% | 9.7% | 11.0% | 7.8% |
| Dow Jones Global ex-U.S. | -1.1 | -4.9 | 4.9 | 2.9 | 3.8 | 0.5 |
| 10-year Treasury Note (Yield Only) | 2.9 | NA | 2.3 | 2.3 | 2.5 | 4.0 |
| Gold (per ounce) | -1.5 | -3.6 | 0.6 | 2.1 | 0.1 | 3.0 |
| Bloomberg Commodity Index | 0.1 | -0.9 | 7.5 | -4.6 | -7.0 | -9.3 |
| DJ Equity All REIT Total Return Index | 0.9 | 1.3 | 4.9 | 9.4 | 9.0 | 8.3 |

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.

**FROM ASIA WITH LOVE.**Sometimes the hottest trends in other regions of the world are similar to those in the United States and sometimes they’re very different. Here are three recent chapters in the book of Asian cultural trends.

**Improving your future wife’s ROI.** Single men in the Land of the Rising Sun are trying to increase their value on the marriage market by taking parenting classes. The lessons include developing empathy for future spouses by wearing pregnancy suits. *The Atlantic* reported, “The man in the traditional kimono is having difficulty...The weight of the belly strains his back. Simply walking around the room - a party room in a Tokyo condo building - is more like lumbering. Lying down and getting up again is a struggle. The rest of the men in the Ikumen class laugh as he tries to adjust to the new reality.”

**Shopaholics rejoice.** ‘Shopstreaming’ is a little bit e-commerce and a little bit live streaming, reports *Trendwatching Quarterly*. “Asians are social shoppers - they rely on social media recommendations for their purchase decisions. For many, the ability to talk to sellers and buyers can build trust and allay fears about counterfeit goods. In Southeast Asia, 30 percent of e-commerce sales are started on social media and completed in messaging apps...”

**It’s not just puppy love.** Newly minted middle classes in developing nations are turning to pets for comfort and companionship. In emerging markets in the Asia Pacific region, *Spire Research* reports, “Changes in consumer lifestyles and rising disposable income are driving acceptance for pets and boosting the entire pet-related industry along the way.”

Trends are entertaining. As in any industry, they also can help business owners unearth expansion opportunities and help asset managers discover companies with potential.

**Weekly Focus - Think About It**

“I learned to make my mind large, as the universe is large, so that there is room for contradictions.”

--*Maxine Hong Kingston, Chinese American author*

Best regards,

Moshides Financial Group

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.

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

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\* You cannot invest directly in an index.

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

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