
Jobs Push Stocks Up

Weekly Update – July 9, 2018

Domestic stocks only traded for 4 days last week, due to the Independence Day holiday. In that time, all 3 major domestic indexes posted positive results for the week. The S&P 500 added 1.52%, the Dow gained 0.76%, and the NASDAQ increased 2.37%.¹ International stocks in the MSCI EAFE were up as well by 0.56%.²

Once again, trade and tariffs were a major topic on many people's minds. On Friday, July 6, the U.S. and China placed \$34 billion of duties on each other's imports.³ However, instead of focusing on the trade-war escalation, another topic captured many investors' attention: the latest jobs report.

What did we learn about the labor market?

This month's report about the employment situation provided several indications that the economy continues to be healthy and growing.

1. The economy added more jobs than expected.

Economists predicted approximately 195,000 new jobs in June. Instead, the report showed that the economy added 213,000 new positions.⁴ This positive performance indicates the labor market may be somewhat looser than people originally thought. As a result, the economy may have more ability to continue growing without inflation becoming a bigger concern.⁵

2. More people tried to enter the labor market.

Unemployment rose from 3.8% to 4% in June. On the surface, this result may seem negative. In reality, the increase comes from people who were sitting on the sidelines deciding to look for work once again. This choice indicates they feel more confident in their potential to find jobs.⁶

3. Wage growth continued at a moderate pace.

The latest data revealed wage growth at a 2.7% annual pace, which was slightly below projections. Economists aren't certain why wages are growing at such a tepid rate, considering the labor market's strength.⁷ However, with a record number of open jobs, wage growth should increase later this year. In addition, June's pace should help calm concerns about the economy growing too quickly.⁸

One detail that June's employment report didn't show was any meaningful, negative impacts from tariffs. If the trade disputes continue, however, industries such as manufacturing and construction could suffer. For now, the economy is starting the 3rd quarter on relatively strong footing—after a 2nd quarter that experts say could have experienced economic growth as high as 5%.⁹

We will continue to monitor ongoing trade developments for any lasting effects on the economy or our clients' financial lives. As always, if you have any questions, we're here to talk.

ECONOMIC CALENDAR

Tuesday: JOLTS

Thursday: Consumer Price Index, Jobless Claims

Friday: Consumer Sentiment

PERFORMANCE

DATA AS OF 7/6/2018	1 WEEK	SINCE 1/1/18	1 YEAR	5 YEAR	10 YEAR
STANDARD & POOR'S 500	1.52%	3.22%	14.53%	11.08%	8.13%
DOW	0.76%	-1.06%	14.71%	10.07%	8.04%
NASDAQ	2.37%	11.37%	26.26%	17.18%	13.10%
INTERNATIONAL	0.56%	-3.96%	4.62%	3.63%	0.35%
DATA AS OF 7/6/2018	1 MONTH	6 MONTHS	1 YEAR	5 YEAR	10 YEAR
TREASURY YIELDS (CMT)	1.86%	2.13%	2.34%	2.71%	2.82%

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.



"The question isn't who is going to let me; it's who is going to stop me."

— Ayn Rand



Mixed Green and Herb Tossed Salad



Serves 6

Ingredients:

6 cups mixed spring greens (like Bibb, pea shoots, and mâche), torn
2 cups mixed herbs (like tarragon, dill, mint, and chives), chopped
1 cup shelled edamame
¼ cup olive oil
1 teaspoon lemon juice
2 teaspoons Dijon mustard
1 teaspoon honey
Kosher salt
Pepper
1 small shallot, finely chopped
Soft-cooked eggs and edible flowers, for serving

Directions:

1. Mix greens and herbs together in a large bowl. Put in edamame.
2. Mix in olive oil, lemon juice, mustard, honey, and ¼ teaspoon each of salt and pepper. Add shallot and stir.
3. Gently add dressing and put eggs and flowers on top.

Recipe adapted from Good Housekeeping¹⁰



Tax Act May Affect Small Business Depreciation Deduction*

The passage late last year of the Tax Cuts and Jobs Act may lessen the tax load on small business by expanding deduction allowances, the IRS states.

Tax deductions on depreciation increased, which means small business owners may see their taxes decline.

Businesses are allowed to depreciate “tangible property except land, including buildings, machinery, vehicles, furniture and equipment.”

Highlights include:

- The act increases the number of items businesses may list as expenses, which includes the cost of any business property. Businesses may deduct the property in the year it is put in service.
- The maximum deduction rose from \$500,000 to \$1 million.
- The phase-out threshold went from \$2 million to \$2.5 million.
- Taxpayers may choose to include improvements made to nonresidential property. The improvements must have been made after the property was initially put in service.

The improvements apply to:

- A building's interior
- A roof
- Heating and air conditioning systems
- Fire protection systems
- Alarm and security systems

These improvements do not qualify:

- Building enlargement
- Elevator or escalator service
- The building's internal structure framework

These changes apply on property put into use after December 31, 2017.

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.



Stop Strong-Arming Your Swing

Conventional sporting wisdom may suggest that the more muscle you put into your swing, the farther your ball will go. Raw power equals distance.

Not in golf, according to top coaches. The game requires finesse, not brute force.

Watch the pros. Their swings follow an easy, balanced, rhythmic flow.

Here are some tips to remove the muscle from your swing and add some grace:

- Do a few relaxed practice swings. Focus on long, smooth ones.
- Address the ball as you would normally, but be relaxed. Try doing a big “yawn,” then let your jaw go slack. Hold a strong grip on your club for a couple seconds, then relax.
- Turn your shoulders as you begin your backswing rather than bending your right (or dominant) elbow.
- Bend your right (or dominant) elbow at the top of your swing, which will cause your wrists to cock. Let the swing flow in the same way as your practice swing.
- Your left (or non-dominant) side should start your downswing.
- Strike the ball and continue the swing naturally into your follow-through.

Keep in mind that natural, graceful swings will produce more distance and accuracy than bristle and brawn.

Tip adapted from Golfweek¹²



Get Healthy with a Disability

Stories tell of heroes with disabilities overcoming great challenges. The moral of those stories: You never have to let circumstances or your physical condition get in the way of your fitness goals.

If you have a disability, here’s what you should do before you begin an exercise program:

- Discuss with your doctor the amount of exercise that’s acceptable and any restrictions.
- Discuss your goals with an exercise professional.

Your goal is to reach and maintain 2 hours and 30 minutes of aerobic activity per week. Activities may include walking, wheeling in a wheelchair, swimming, or performing vigorous yard work.

Start slowly: Try doing something for at least 10 minutes and gradually add time until you reach 30 minutes at a time. If you can't reach those time goals, do as much as you're able to.

You should do strength-building activities at least 2 days per week. Strength exercises may include pushups or weight training.

Sticking to your routine is the best way to achieve your fitness goals. Here are some quick tips to keep you moving:

- Find an exercise buddy.
- If you fail to meet your daily goal, you have tomorrow.
- Best of all: Some exercise is better than none. So, keep at it.

Tips adapted from Office of Disease Prevention and Health Promotion¹³



How to Camp, the Green Way

It's summertime. It's time to go camping. If you love the outdoors (and camping in it), you may also want to find ways to help protect the environment.

Here are some tips for going green while camping:

- **Go to a local park or campground.** You save gas, and it's less traveling. It'll give you more time for actual camping.
- **Rent or borrow your camping supplies.** You save money.
- **Stick with the trail signs.** It might be enticing to take the path less traveled. But besides getting lost, you could be trampling on and damaging native plants.
- **Watch the fire.** If you're going to have a campfire, stay within the designated campfire circle.
- **Shine on with environmentally friendly lighting.** LED flashlights and lanterns last longer and use less power.
- **Bring reusable dishes.** Special camping dishes from shops will eliminate waste.
- **Go natural, almost.** Forget about makeup and other beauty products. If you can stand it, skip the soap as well.
- **Haul it away.** Don't be a litterbug. Take all your trash and debris with you.
- **Get smart.** Learn something from nature. Get an education about the local wildlife or native plants.

Tip adapted from EarthShare¹⁴

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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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 <http://performance.morningstar.com/Performance/index-c/performance-return.action?t=SPX®ion=usa&culture=en-US>

<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=DJI®ion=usa&culture=en-US>

<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=@CCO>

² <https://www.msci.com/end-of-day-data-search>

³ <https://www.reuters.com/article/us-usa-economy/u-s-job-growth-underscores-economys-strength-tariffs-a-threat-idUSKBN1JW0EI>

⁴ <https://www.cnbc.com/2018/07/06/us-stock-futures-tariff-turmoil-and-jobs-report-in-focus.html>

⁵ <https://www.bloomberg.com/news/articles/2018-07-06/u-s-jobs-report-shows-room-to-run-as-trade-war-threatens-gains>

⁶ <http://wsj-us.econoday.com/byshoweventfull.asp?fid=485657&cust=wsj-us&year=2018&lid=0&prev=/byweek.asp#top>

⁷ <https://www.bloomberg.com/news/articles/2018-07-06/u-s-jobs-report-shows-room-to-run-as-trade-war-threatens-gains>

⁸ <https://www.reuters.com/article/us-usa-economy/u-s-job-growth-underscores-economys-strength-tariffs-a-threat-idUSKBN1JW0EI>

⁹ <https://www.reuters.com/article/us-usa-economy/u-s-job-growth-underscores-economys-strength-tariffs-a-threat-idUSKBN1JW0EI>

¹⁰ <https://www.goodhousekeeping.com/food-recipes/easy/a19865491/mixed-green-and-herb-toss-salad-recipe/>

¹¹ <https://www.irs.gov/newsroom/tax-reform-changes-to-depreciation-affect-businesses-now>

¹² <http://golftips.golfweek.com/stop-using-strength-golf-swing-20228.html>

¹³ <https://healthfinder.gov/HealthTopics/Category/health-conditions-and-diseases/obesity/stay-active-with-a-disability-quick-tips>

¹⁴ <http://www.earthshare.org/2011/05/green-your-camping-trip.html>