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Weekly Market Commentary

July 24, 2017

The Markets

Do we have central banks to thank?

Low interest rates, accommodative monetary policy, and improving economic growth have helped stock markets around the world reach record highs, reports *Barron's*:

> "…a look around the globe shows the surge of the U.S. market to new peaks to be anything but unique. Major [markets] in Europe and Asia also have been setting records. Even in South Korea, the Kospi closed at a new peak and is up 25 percent from its 52-week low last year, as the global technology rally has proved to be more powerful than the threat of a nuclear-missile launch from North Korea. Last week also saw a record close in the S&P BSE Sensex in India. Japan's Nikkei is up 25 percent from last August and near a 52-week high (albeit still down 48 percent from its 1989 bubble peak). The Shanghai Composite is a relative laggard, with a 9.6 percent gain from its August lows, bolstered by a 3.7 percent jump over the past five weeks."

Eventually, central banks are expected to tighten monetary policy by raising interest rates and reducing the size of their balance sheets and that could affect markets. The U.S. Federal Reserve released its *Policy Normalization Principles and Plans* back in 2014. Last month, Chair Janet Yellen indicated the Fed currently intends to begin normalizing policy during 2017.

U.S. monetary policy isn't the only phenomenon investors may want to keep an eye on.

Fiscal policy (the steps a government takes to influence its country's economy) deserves some attention, too. The United States will, once again, hit its legal spending limit (the debt ceiling) this fall. *U.S. News* reported, "Were the United States to hit its borrowing limit – and thus have to start missing payments and stiffing creditors – there's no telling the exact consequences, but they wouldn't be good."

The bond market does not appear to be confident fiscal policy will proceed smoothly. *Barron's* reported, "Yields on T-bills that mature in mid-to-late October jumped relative to surrounding maturities, a sign that the money market saw a risk – however slight – of not getting paid on time."

Data as of 7/21/17	**1-Week**	**Y-T-D**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Standard & Poor's 500 (Domestic Stocks)	0.5%	10.4%	14.2%	7.8%	12.9%	4.8%
Dow Jones Global ex-U.S.	0.8	16.0	17.2	0.1	6.5	-1.2
10-year Treasury Note (Yield Only)	2.2	NA	1.6	2.5	1.4	5.0
Gold (per ounce)	1.5	7.7	-5.5	-1.6	-4.5	6.2
Bloomberg Commodity Index	0.4	-5.2	-2.3	-13.8	-10.4	-6.9
DJ Equity All REIT Total Return Index	0.7	5.9	-1.4	8.7	10.1	6.4

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.

SO, HERE'S ANOTHER COLLEGE CONUNDRUM: COLLEGE IS A HOT TOPIC. College is a hot topic. In recent years, pundits have debated whether students should attend college or skip it and start their own companies. The Thiel Fellowship, founded by tech entrepreneur Peter Thiel, offers students $100,000 to do just that.

For students who choose college, much has been made about which degrees will pay off. Some argue liberal arts degrees lack value, and technical instruction is the real ticket to success. Meanwhile, technology company leaders have reported liberal arts are essential because "they train students to thrive in subjectivity and ambiguity, a necessary skill in the tech world where few things are black and white."

College is also known for changing the way students think. A new survey indicates it may alter their culinary perspectives. *The Economist* commissioned a poll to see if residence, income, education, or political affiliation has an effect on food preferences and, guess what? College and post graduate work may expand students' gustatory preferences and change their eating habits! No, they don't develop an unhealthy obsession with ramen noodles, boxed mac and cheese, or free food (usually). The survey found:

- People with post graduate degrees dine out more frequently – often weekly – than people with high school diplomas.
- Post grads also tend to eat Indian foods, like curries, more often than people with high school diplomas.
- College grads are more likely than non-college grads to have eaten sushi within the past year.
- College grads are also more likely than non-college grads to know what prosciutto is and to have eaten it recently.

As it turns out, the great equalizer was Mexican food. A majority of Americans have eaten Mexican food during the past year, regardless of educational attainment.

Weekly Focus – Think About It

"Peanut butter and jelly in the same jar. I don't understand that. I mean, I'm lazy but I'd like to meet the guy that needs that. This guy must be thinking, "I could go for a sandwich, but I'm not gonna open TWO jars. I can't be opening and closing all kinds of jars and cleaning WHO KNOWS how many knives."

--Brian Regan, American comedian

Best regards,

Patrick Hurley, CFP®

Julie Brangenberg, LPL Branch Manager

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 indices 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.

* Consult your financial professional before making any investment decision.

* Stock investing involves risk including loss of principal.

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