Weekly Market Commentary
July 9, 2018

The Markets

What a rollercoaster of a quarter!

When it comes to the *American Association of Individual Investors (AAII) Sentiment Survey*, respondents tend to be more bullish than bearish about U.S. stock markets. The survey's historical averages are:

- 38.5 percent bullish
- 31.0 percent neutral
- 30.5 percent bearish

As the second quarter of 2018 began, investors were feeling less optimistic than usual. (About 36.6 percent were bearish and 31.9 percent bullish.) Their outlook was informed by a variety of factors, according to an early April article in *The New York Times*, which said:

> "First there was the risk that the economy might be growing too fast, which could prompt central banks to hike interest rates sooner than expected. Then there was the risk of a trade war ignited by the White House imposing tariffs on certain products, an action that quickly prompted countries like China to erect trade barriers of their own. Next came the threat of a government crackdown on technology companies, after revelations of their misuse of customer data."

As the quarter progressed, investor optimism increased on signs of economic strength. In early June, *CNBC* reported the economy appeared to be "operating close to full employment, with an unemployment rate at 3.8 percent, inflation still hovering at or below 2 percent, and business and consumer confidence strong."

Robust corporate earnings helped spur optimism, too. *FactSet Insight* wrote, "The S&P 500 reported earnings growth of 25 percent for the first quarter – the highest growth since Q3 2010." In mid-June, the *AAII survey* showed 44.8 percent of respondents were feeling bullish, 21.7 percent were bearish, and 33.5 percent were neutral.

As talk of tariffs and trade wars resumed, investor optimism plummeted. By the end of June, just 27.9 percent of respondents were bullish and more than 39 percent reported they were feeling bearish. *AAII* explained:

> "Many – but not all – individual investors anticipate continued volatility and/or think that the current political backdrop could have a further impact on the stock market. Trade policy is influencing some individual investors' sentiment as well. While many approve of the Federal Reserve's plan to continue gradually raising interest rates, some AAII members are concerned about the impact that rising rates

> will have. Also influencing sentiment are valuations, tax cuts, earnings growth, and economic growth."

Despite a downturn in bullishness, major U.S. stock indices moved higher last week.

Data as of 7/6/18	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.5%	3.2%	14.5%	10.1%	11.0%	8.2%
Dow Jones Global ex-U.S.	0.0	-4.9	5.6	3.5	4.0	0.8
10-year Treasury Note (Yield Only)	2.8	NA	2.4	2.3	2.6	3.9
Gold (per ounce)	0.4	-3.2	2.5	2.5	0.3	3.2
Bloomberg Commodity Index	-1.4	-2.2	4.6	-4.5	-7.5	-9.4
DJ Equity All REIT Total Return Index	1.9	3.2	9.0	9.2	9.3	8.9

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.

THERE'S A CARBON DIOXIDE (CO_2) SHORTAGE. REALLY, IT'S TRUE. Many people agree the world has too much CO_2. It's the reason representatives from countries around the world signed the Paris Climate Agreement. They committed to "adopt green energy sources, cut down on climate change emissions, and limit the rise of global temperatures," reported *National Public Radio*.

The effort has been less successful than many had hoped, according to the *International Energy Association (IEA)*. After several years without increases, energy-related emission rose by 1.4 percent in 2017. That's the rough equivalent of putting 170 million more cars on the road, reported *Scientific American*.

Emissions rose primarily in Asia, although the European Union (EU) saw increases, too. The biggest decline was in the United States. There's a certain irony there, since President Trump announced he would withdraw from the agreement in June 2017, reported *The Washington Post*.

Despite realizing a 1.5 percent increase in emissions, the EU is experiencing a shortage of food-grade CO_2. *The Economist* reported:

> "Food-grade CO_2 is a vital ingredient: it puts the fizz in carbonated drinks and beer, knocks out animals before slaughter and, as one of the gases inside packaging, delays meat and salad from going off. A shortage of the stuff has therefore created havoc in food makers' supply chains."

The EU's food-grade CO_2 is a harvested by-product of processes for making ammonia and other chemicals, reported *The Economist*. Three of Britain's five ammonia plants have been closed because farmers are using less fertilizer, and CO_2 does not deliver enough revenue to keep the plants running.

Let's hope the shortage of CO_2 doesn't affect the supply of beverages available to World Cup fans.

Weekly Focus – Think About It

“My garden is an honest place. Every tree and every vine are incapable of concealment, and tell after two or three months exactly what sort of treatment they have had. The sower may mistake and sow his peas crookedly; the peas make no mistake, but come up and show his line.”

--Ralph Waldo Emerson

Best regards,

“Your Beacon Wealth Management Team”

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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