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 **Market Commentary for Week of October 2, 2017** 

The markets continue in a **CONFIRMED UPTREND** with year to date performance for the S&P 500 up 12.1%, the NYSE up 18.8%, and the NASDAQ up 34.5%. This has been the longest market expansion since 2003. Last month was the least volatile September ever for stocks; I had to look at that statistic twice. Thinking back over the last month, it did not feel like it. We continue to do our every Saturday exercise of watching and tracking sectors for rotation; techs still lead the way, energy is still a laggard, with China, Latin America and Emerging Markets near the top. Interestingly enough, small caps have begun to move up, an early signal that markets are preparing for another leg up. We are experiencing higher volume on the NASDAQ and the NYSE. The NASDAQ ended the week above its 50-day moving average and at a new high, both bullish signs. The S&P 500 did the same. Again, small caps have led the rally in recent weeks. This definitely represents a change. In the tech sector, chips and electronics were the top two. Sectors also moving up include banks and machinery. Three weeks ago, the bank sector was number 31, now it is number 20. Machinery was number 23, now it is number 9.

Now that Congress is trying to move forward with a tax plan that the President may actually sign, I thought the article by Fran Tarkenton was timely. I have inserted it in case you had not seen it.

# ... And, If Passed, Can Do The Same For America's Many Small Businesses

FRAN TARKENTON

Stock markets are at an all-time high. Economic and wage growth are finally starting to pick up. And the lack of job seekers is now a far bigger problem than the unemployment rate, which is at a historic low.

Yet running a small business that serves small businesses, I see beneath the surface of these positive top-line indicators to a rockier foundation. Many of the small businesses I deal with on a day-to-day basis say they are still struggling and lament that the economic recovery has passed them over.

The evidence is not just anecdotal. The U.S. startup rate is near a 40-year low, without even accounting for population growth, and the share of young firms and workers at such firms continue a decades-long decline.

A recent JPMorgan survey found the median American small business sees an average daily cash outflow of \$374 and inflow of just \$381.

There are many hurdles small businesses face today, from e-commerce to lack of credit access. But the biggest obstacle I hear about most from entrepreneurs is the size and complexity of the federal tax code and its role in preventing their businesses from reaching their potential. Several polls of small-business owners also conclude that overtaxation is the biggest problem small businesses face.

Help may be on the way. President Trump and congressional Republicans released a tax-reform framework this week that would dramatically reduce the small-business tax burden.

This would allow hardworking entrepreneurs to keep a little more of their earnings, which are needed to make their businesses thrive.

The current small-business tax burden is far outside the international norm. Small businesses, the vast majority of which pay tax at the individual level, pay a federal marginal tax rate of 40%. Including state, payroll and other taxes, this figure can easily reach 50%.

In today's globalized economy, that means American small businesses are starting from their own one-yard line against their foreign competitors.

It's true that effective small-business tax rates are somewhat lower. But most small-business decisions — whether to open another store, expand into a new product line, hire another employee, etc. — are made on a marginal basis. Therefore, inflated marginal tax rates act as a powerful disincentive to small-business investment and vitality.

Since small businesses are the lifeblood of the economy, providing half of all jobs and two-thirds of new jobs, this tax burden also hurts American communities. Rather than earnings staying at home where they are needed, they are shipped off to Washington, D.C., where they are not.

Small businesses are also the foundation of economic op-



Small businesses — such as florist UrbanStems in Washington, D.C., seen above — will see their taxes reduced and simplified under the Republican tax-reform proposal.

portunity for American minorities, with nearly 40% of American small businesses owned by minorities; about half of all small businesses starting up today have women entrepreneurs as owners.

A recent national poll of small-business owners conducted by the Job Creators Network illustrates how a tax cut would not only help small-business owners but also their communities. When asked what they would do with their tax-cut savings, most owners responded that they would use them to expand their business, hire new employees or raise existing employees' wages.

This infusion of money into small businesses, employees and communities would dramatically stimulate economic growth. We've seen this movie before. Ronald Reagan's 1980s tax cuts got the economy out of similar economic doldrums to today's and set the stage for nearly two decades of strong economic growth that benefited everyone, including small businesses and their customers.

A business succeeds to the extent that it helps people by providing them value. The current tax code artificially reduces the value that small businesses can offer because it diverts their much-needed earnings away to Washington.

Congress can fix this by coming together to pass significant small-business tax cuts now. This should not be a political Hall Mary, but the equivalent of a one-yard quarterback sneak.

Here's a chance to win one for our country, our communities, and millions of business owners and their employees.

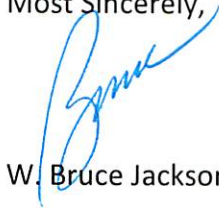
■ Tarkenton is the founder of Tarkenton Cos., former NFL quarterback, and a member of the Job Creators Network.

On a personal note: Big Grandma is back at her home living independently. Her heart is doing well, no kidney cancer (she had convinced herself she had kidney cancer) and the doctor told her to throw away her diabetes medicine because she did not need it anymore.

Penny and I are headed to Charleston Thursday for parent's weekend with Bruce at the Citadel. Emily continues going to school and working in Kansas. Unless we get out there soon, we will not see her until she arrives for Christmas. And at home, Simon is enjoying being the center of attention again.

Thank you as always for taking a few moments to read my comments. I keep saying I will do a better job of getting this out weekly or bi-weekly but that never seems to happen.

Most Sincerely,



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