



INCISIVE INVESTOR

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WEEK IN REVIEW: S&P 500 AND NASDAQ EXTENDED GAINS

Review of the week ended July 21, 2017

- **S&P 500 and MSCI World among record-setters**
- **Foreign investment in US real estate hits new high**
- **Trump's pro-growth agenda further snagged**
- **BOJ pushes inflation deadline back again**

The S&P 500 index and the Nasdaq extended gains for a third week, while the broader market retreated on Friday as a subdued outlook from General Electric Co. cooled some buying enthusiasm with earnings season set to heat up.

The Dow Jones Industrial Average declined 0.2%, to close at 21,580.07. The S&P 500 index slid to end at 2,472.54 and the Nasdaq Composite Index dropped 2.25 points to finish at 6,387.75.

For the week, the Dow fell 0.3% but the S&P 500 is up 0.5% and the Nasdaq added 1.2%. The S&P 500 hitting a record and the Nasdaq is coming off a 10-day string of gains, matching its longest streak since Feb. 24, 2015, according to FactSet data. On Thursday, it ended at a record, the index's 41st such close of 2017.

Global equities set records this week as a Goldilocks environment of moderate

growth and accommodative central banks prevailed. European shares have been relative laggards, perhaps constrained by the recent rise in the euro, which hurts export competitiveness. The yield on the US 10- year Treasury note fell on the week to 2.24% from last week's 2.32%. The price of a barrel of West Texas Intermediate crude oil remained unchanged at \$46.35. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), was steady at a historically low 9.9.

Equities extend record rally

Though the US business cycle is set to enter its ninth year in the weeks ahead, equity prices continue to advance, underpinned by a solid start to earnings season and steady interest rates. Among the indices setting records this week were the US bellwether S&P 500, the MSCI World, the Russell 2000 and the Nasdaq Composite.

Earnings season off to a solid start

With 21% of S&P 500 companies having reported, the Q2 earnings season seems to have gotten off to a solid start. Seventy-six companies reported an 8.6% rise in earnings on 5.4% revenue growth. Earnings growth cooled from Q1's torrid pace, however, as those 76 companies reported a 16.5% earnings gain during the period, according to Zacks Investment Research.

Foreign purchases of US homes hits record

For the year ended March 2017, foreign investment in US residential real estate hit a high, according to the National Association of Realtors. Foreign buyers accounted for fully 10% of the dollar value of US homes purchased over the year, up from 7% the year before, amounting to \$153 billion in purchases. Buyers from China and Canada led the list, followed by those from the United Kingdom, Mexico and India. Sales were concentrated largely in Florida, California and Texas.

McCain illness adds to Trump's legislative woes

Efforts by Senate Republicans to repeal and replace Obamacare went down to defeat this week, and work to repeal the 2010 health care law and replace it at a later date has been complicated by news that Arizona senator John McCain was recently

diagnosed with an aggressive form of brain cancer, making his return to Washington, D.C., any time soon uncertain. Republicans hold a narrow 52-48 advantage in the Senate, so McCain's absence narrows the margin further, making it less likely that pro-growth reforms will advance this legislative session. After health care, the Senate is expected to take up tax reform, though there is not yet a consensus among Republicans on how to approach the issue.

GLOBAL NEWS

Elusive BOJ inflation target slips further into future

The Bank of Japan postponed by another year the date it expects to achieve its 2% inflation target, now forecasting that the goal will be achieved in March 2020. This is the sixth time the BOJ has pushed the target out into the future. The central bank projects that consumer prices, excluding food and energy, will rise only 1.1% in the year ending March 2018.

ECB delays taper discussion

European Central Bank President Mario Draghi said the bank did not discuss tapering asset purchases at its meeting on Thursday but would address the issue this fall. Draghi's tone was less hawkish than in late June, when he suggested the ECB could begin to wind down its asset purchase program soon.

THE WEEK AHEAD

- Mon, 24 July United States Existing home sales
- Tue, 25 July Germany Ifo business sentiment survey
- Wed, 26 July United Kingdom Preliminary Q2 gross domestic product
- Thu, 27 July US Fed interest-rate decision
- Thu, 27 July US Durable goods orders
- Fri, 28 July US Preliminary Q2 gross domestic product

How much do I need to retire?

Although everyone's retirement numbers depend on their own personal situations, these tips can help you figure out how much of your income you should be setting aside for your retirement years. Begin estimating your retirement savings needs by considering how much money you'll be spending when you retire.

Average Retiree Spending

In 2014, the average American over age 65 spent \$41,403 which is 26% less than the average American between ages 45 and 54 spent. Therefore, a good starting point for determining your annual retirement income needs is to add up your household's past 12 months of expenses, subtract any one-time expenses, and then multiply that number by 0.74. You can refine that number by subtracting mortgage payments, if your mortgage will be paid off by the time you retire.

On the other side of the ledger, you'll want to increase your assumptions for spending on healthcare. Medicare kicks in at age 65, but you'll have to pay premiums for Part B, which covers healthcare such as doctor visits, and Part D, which covers medicine. The average Medicare Part B and Part D premiums are \$121.80 and \$41.46 per month in 2016, respectively. You'll also want to factor in out-of-pocket expenses, such as co-pays. If you sign up for Medicare supplement insurance to pick up some of those out-of-pocket costs, then you'll have premiums to pay for that plan too.

It's also important to remember that Medicare won't cover all your healthcare costs. Most notably, Medicare doesn't pay for long-term care. Assisted living costs about \$45,000 per year, and a nursing home can cost over \$80,000 per year, according to Genworth.com. And

since the Department of Health and Human Services estimates 70% of retirees will need long-term care at some point, you need a plan for those expenses too.

Overall, HealthView Services estimates that the average retired couple aged 65 spends \$583 per month on healthcare, not including uncovered Medicare expenses. Would-be retirees should plan on spending more than double that amount per month by age 85. It's typically recommended that you withdraw no more than 4% of your retirement savings annually as income. Withdraw more than that and you increase the risk of outliving your savings. Based on this rule, you'd need a \$1 million nest egg to withdraw \$40,000 in retirement income every year.

Income in Retirement

It's typically recommended that you withdraw no more than 4% of your retirement savings annually as income. Withdraw more than that and you increase the risk of outliving your savings. Based on this rule, you'd need a \$1 million nest egg to withdraw \$40,000 in retirement income every year. Let us design a plan to secure a comfortable retirement for you. Call Randall Fielder at 713-955-3555 to get started.

For more ways to improve your retirement, contact:

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