

Cornerstone Market Commentary

Week of September 23, 2019

The Markets

There's a new theory in town.

Renowned economist Robert Shiller's new book suggests investors may be able to predict and prepare for economic events by tracking popular stories.

Applying the theory might have been a challenge last week. There were so many stories with potential to move markets and affect the economy it was difficult to guess which would be the most influential.

In the end, on-again-off-again trade negotiations provided the spark that drove markets lower. *Barron's* explained:

“The S&P 500 would have finished flat for the week – except it decided to drop 0.5 percent after reports that China had canceled a visit to Montana hit the newswires... That's not what we would have expected, given all of the week's excitement. Saudi Arabia's oil infrastructure was attacked. The Federal Reserve cut interest rates by a quarter-point. U.S. money markets went crazy and forced the Fed to intervene, setting off comparisons to the collapse of Lehman Brothers in 2008. And, yet, a Montana junket was the ultimate determinant of whether the market finished up or down.”

On Saturday, reports from U.S. trade representatives and China's state-run news agency emphasized trade discussions were 'constructive' and 'productive' and would continue in October, reported *The New York Times*.

Last week, Federal Reserve Chair Jerome Powell mentioned trade wars 20 times in his news conference, reported *The Wall Street Journal*. “Other geopolitical risks figured less prominently or not at all. Mr. Powell mentioned Brexit once, and tensions in Hong Kong and Saudi Arabia didn't come up.”

The Fed chair emphasized the Fed is using the tools at its disposal to support demand and counteract economic weakness. However, it has no way to resolve trade issues. He pointed out uncertainty about trade has reduced business investment across the United States and could hurt economic growth.

Until an agreement is reached, stories told about U.S.-China trade issues are likely to remain influential.

Data as of 9/20/19	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.5%	19.4%	2.1%	11.8%	8.3%	10.9%
Dow Jones Global ex-U.S.	-0.2	10.5	-2.9	4.5	0.5	2.4
10-year Treasury Note (Yield Only)	1.8	NA	3.1	1.7	2.6	3.5
Gold (per ounce)	-0.1	17.2	24.3	4.6	4.4	4.2
Bloomberg Commodity Index	0.6	3.2	-5.6	-2.1	-7.8	-4.5

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; 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, MarketWatch, 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.

WHAT'S YOUR GIG? In a 2018 issue of the *Harvard Business Review*, an independent consultant compared working in the gig economy (a labor market characterized by the prevalence of short-term contracts or freelance work as opposed to permanent jobs) to being a trapeze artist. Independent work requires concentration and discipline. There is a stomach-dropping void between assignments and exhilaration when a new assignment is landed.

When you consider the risks of gig work, it's remarkable so many people work independently. About 20 to 30 percent of the working population in the United States and Western Europe are gig workers, according to the *McKinsey Global Institute*.

People work independently for a variety of reasons. Forty-four percent derive their primary income from gig work (although 14 percent of these people would prefer traditional employment). Fifty-six percent earn supplemental income from independent work (16 percent of these people are financially strapped).

The most popular gigs, according to *appjobs*, are:

- Delivery work
- Freelance work (editing, translating, photography, art, copywriting, design, and consulting)
- Pet sitting
- Cleaning
- Driving

The most lucrative gigs include:

- Massage therapy
- Freelance work
- Home cooking
- Teaching
- Delivery work

The gig economy is growing. However, there are issues that make it less attractive, such as lack of benefits, income insecurity, and lack of training and credentialing. These issues may create opportunities for entrepreneurs.

Weekly Focus – Think About It

“You have brains in your head. You have feet in your shoes. You can steer yourself any direction you choose. You're on your own. And you know what you know. And YOU are the one who'll decide where to go...”

--Dr. Seuss, *American children's author*

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* 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 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 London afternoon gold price fix as reported by the London Bullion Market Association.

* The DJ 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 TR 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.

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* Asset allocation and diversification do not protect against loss of principal.

* Past performance does not guarantee future results.

* You cannot invest directly in an index.

* Consult your financial professional before making any investment decision.