Horizon Wealth Management
Weekly Market Commentary
August 20, 2018

The Markets

As Maxwell Smart used to say…

Missed it by THAT much! After a rocky start, the Standard & Poor's 500 Index came within 1 percent of an all-time high last week, reported Ben Levisohn for *Barron's*. It's significant because the Standard & Poor's 500 Index has been trading below its January record all year. The article suggested the lack of progress begs the question: Are we still in a bull market?

It's the old 'Shrink Global Markets with Corporate Buybacks' trick. Last week, Robin Wigglesworth of *Financial Times* reported, "The global equity market is shrinking at the fastest pace in at least two decades, as a wave of corporate share buybacks swamps the overall volume of companies going public, issuing new stock or selling convertible debt."

The value of the global equity market is increasing despite the reduction in volume. In part, this is because stock buybacks help push share prices higher.

There is a potential downside to buybacks, though. *Nasdaq.com* explained, "…rewarding current shareholders so liberally can lead to a systemic extraction of value from companies on a macroeconomic scale. Throw in dividends and little is left for growth and expansion."

Would you believe…the President asked for it? "President Trump on Friday asked regulators to review a decades-old requirement that public companies release earnings quarterly, a change some executives support to promote longer-term planning but that some investors worry could reduce market transparency," reported Dave Michaels, Michael Rapoport, and Jennifer Maloney of *The Wall Street Journal*.

While transparency is essential to investors, critics suggest quarterly reporting "distracts companies from focusing on longer-term financial and strategic goals and may deter companies from going public," wrote Andrew Edgecliffe-Johnson and Mamta Badkar for *Financial Times*.

Stay tuned.

Data as of 8/17/18	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.6%	6.6%	17.3%	11.1%	11.6%	8.4%
Dow Jones Global ex-U.S.	-1.4	-6.9	0.5	3.4	2.5	1.2
10-year Treasury Note (Yield Only)	2.9	NA	2.2	2.2	2.9	3.8
Gold (per ounce)	-3.0	-9.1	-8.3	1.8	-2.9	4.0
Bloomberg Commodity Index	-1.0	-5.5	0.8	-2.5	-8.5	-7.8
DJ Equity All REIT Total Return Index	3.1	4.8	8.5	7.9	11.4	8.1

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.

REMEMBER THAT SAYING ABOUT THE FOREST AND THE TREES? Some pretty good numbers have been posted for 2018. They're the type of numbers that inspire confidence. For example:

> **4.1 percent.** The United States experienced strong economic growth during the second quarter. The advance estimate for U.S. gross domestic product (the value of all goods and services produced by a nation) during the second quarter of 2018 was 4.1 percent. That was the highest rate of growth since the first quarter of 2014.
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> **24.6 percent.** 2017's tax reform, which lowered corporate tax rates from an average of 35 percent to an average 21 percent, boosted corporate earnings, reported *Nasdaq.com*. With 91 percent of companies reporting in, the blended earnings growth rate for the S&P 500 was 24.6 percent during the second quarter of 2018.
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> **$1 trillion.** What are companies doing with their tax windfall? U.S. companies are rewarding shareholders by buying back stock, reported *Nasdaq.com*, which suggested buybacks could total $1 trillion in 2018.
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> **3,453 days.** Depending on how precisely you define the last bull market, August 22 may be the day that marks this one as the longest bull market in history.

While positive economic and market numbers are nice to see, they are trees in a forest and don't necessarily provide a full or an accurate picture. For instance, the length of a bull market is interesting, but it has no predictive value, reported *Barron's*. The length of the current economic expansion is far more important.

Barron's cited Dr. Ed Yardeni, chief investment strategist at *Yardeni Research*, who said, "All I'm interested in is how long the expansion lasts…Because the longer it lasts, the longer the bull market lasts."

It's important to understand which numbers are important and how they relate to one another. If you would like to learn more, give us a call.

Weekly Focus – Think About It

"There is no truth. There is only perception."

--*Gustave Flaubert, French novelist*

Best regards,

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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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