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Weekly Commentary

October 1, 2018

THE MARKETS

It wasn't headline news…

But, if newsprint was still popular, last week's key economic news would have appeared below the fold.

The Federal Reserve raised rates for the third time in 2018, as expected. In addition, the Federal Open Market Committee projects economic growth will continue for three more years, although its median numbers show growth slowing from 3.1 percent in 2018 to 1.8 percent in 2021. (Remember, forecasts, no matter how venerable the source, are best guesses and not bedrock.)

Investors weren't enthusiastic about the Fed's actions or its expectations, and the onset of United StatesChina tariffs didn't lift their spirits. Ben Levisohn of *Barron's* explained:

> "The Dow Jones Industrial Average dropped 285.19 points, or 1.1 percent, to 26,458.31 on the week, while the S&P 500 fell 0.5 percent to 2913.98. Neither could be considered life threatening, and the S&P 500 still rose for a sixth consecutive month. So, while we need something to blame, we needn't get too worried. Last Monday kicked off with the implementation of tariffs by the United States and China and continued with a Federal Reserve rate hike. Neither was a surprise, though the Fed might have caught a few napping when it removed the word 'accommodative' from its statement."

What does it mean when the Federal Reserve removes the word 'accommodative?'

The Fed pursues 'accommodative' or 'easy' monetary policy when it is encouraging economic growth. Accommodative policy may include lowering interest rates or, in unusual circumstances, quantitative easing.

By removing the word, the Fed may be signaling that policy will be 'tightening' in an effort to prevent the economy from overheating, reported Sam Fleming of *Financial Times*. There is debate about whether rates are at a neutral level; one that won't cause the economy to run too hot or too cold.

Let's hope for a Goldilocks economy.

Data as of 9/28/2018	1 WEEK	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Standard & Poor's 500 (Domestic Stocks)	-0.5%	9.0%	16.1%	15.7%	11.6%	10.2%
Dow Jones Global ex-U.S.	-0.9	-5.2	0.1	8.0	2.1	2.9
10-year Treasury Note (Yield Only)	3.1	NA	2.3	2.1	2.6	3.6
Gold (per ounce)	-1.0	-8.4	-7.5	1.6	-2.2	2.8
Bloomberg Commodity Index	1.0	-3.4	0.7	-0.8	-7.7	-6.5
DJ Equity All REIT Total Return Index	-1.1	2.1	4.7	9.8	9.7	8.4

Notes: S&P 500, DJ Global ex US, Gold, DJ-UBS 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 TR 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.

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IN THIS ISSUE:

WHEN DO YOU BEHAVE THE MOST LIKE YOURSELF?

Don't worry. This isn't about soulsearching and trying to find answers to existential questions like, 'Who am I?' or 'What is my purpose?' or 'How should I live my life?'

Nope. This is about a science experiment!

Ian Krajbich of Ohio State University and Fadong Chen of Zhejiang University in China wanted to better understand how people made social decisions, according to a paper they published in *Nature Communications*. They began with the premise that "Social decisions typically involve conflicts between selfishness and pro-sociality."

Then, they asked 200 students in the United States and Germany to play "mini-dictator games in which subjects make binary decisions about how to allocate money between themselves and another participant."

Science Daily explained, "In some cases, participants had to decide within two seconds how they would share their money as opposed to other cases, when they were forced to wait at least 10 seconds before deciding. And, in additional scenarios, they were free to choose at their own pace, which was usually more than two seconds but less than 10."

The upshot was people who were pro-social became more pro-social, and people with more selfish instincts became more selfish, under severe time constraints. Given more time, "pro-social subjects became marginally less pro-social under time delay…while selfish subjects became less selfish under time delay…though these effects are less pronounced."

Maybe you behave most like you when you're pressed for time.

WEEKLY FOCUS– THINK ABOUT IT

"Selfishness is not living as one wishes to live, it is asking others to live as one wishes to live."

--Oscar Wilde, Irish poet and playwright

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 e-mail with their e-mail address and we will ask for their permission to be added. Michael A. Poland, CFA® – Financial Advisor and Portfolio Manager. Mike is a Chartered Financial Analyst with a BA from Michigan State University and an MBA from the University of St. Thomas, in St. Paul, Minnesota. Mike has been in the financial service industry since 1989. Mike's prior experience was with PaineWebber, Merrill Lynch and Rehmann Financial. Mike is a member of the CFA Society of West Michigan, and has served on the boards of The Builders Exchange of Grand Rapids and West Michigan , Mona Shores Education Foundation. and the West Michigan Symphony Orchestra. Mike lives in Norton Shores with his wife and three children.

Sources:
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