

Weekly Market Commentary November 11, 2019

The Markets

Last week, major United States stock indices finished at historic highs.¹

According to a source cited by *Barron's*, U.S. stock markets are responsible for creating \$6 trillion in paper wealth this year. 'Paper' wealth is when an asset is estimated to be worth a specific amount. The wealth becomes 'real' when the asset is sold.^{1, 2}

If you are having difficulty comprehending \$6 trillion, imagine this: 3,786 miles of stacked \$100 bills. That is about 15 times higher than the space station. It is roughly the distance of a drive from the East Coast to the West Coast of the United States and about halfway back again.^{3, 4}

To date, 2019 has been an exceptional year for U.S. stocks. At the end of last week, the Dow Jones Industrial Average was up 18.7 percent year-to-date, the S&P 500 had gained 23.4 percent, and the Nasdaq Composite had risen 27.7 percent.¹

Returns like these sometimes inspire investors to ignore their risk tolerance and increase allocations to U.S. stocks. That may not be a wise move. In an article titled, 'How not to understand money,' *Financial Times* explained:⁵

“One of the first things to know about equity investing is that stocks go up as well as down, and even the most successful ones never go up in a straight skyward trajectory.”

There is a theory which holds that, over time, returns revert to the mean. *Investopedia* describes the phenomenon like this:⁶

“A reversion to the mean involves retracing any condition back to a previous state. In cases of mean reversion, the thought is that any price that strays far from the long-term norm will again return, reverting to its understood state.”

Since the current U.S. bull market in stocks has delivered above average returns for more than a decade, some analysts anticipate future returns may be less robust as returns revert to the mean.⁷

Suffice it to say, it is not a good idea to be lured into holding more stocks because recent returns have been exceptional. Those returns are, after all, in the past.

Data as of 11/8/19	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.9%	23.4%	10.2%	13.1%	8.7%	11.0%
Dow Jones Global ex-U.S.	0.8	14.3	6.9	6.1	2.0	2.5
10-year Treasury Note (Yield Only)	1.7	NA	3.2	1.9	2.4	3.5
Gold (per ounce)	-3.0	14.2	19.6	4.5	4.7	2.8
Bloomberg Commodity Index	-0.4	4.2	-4.0	-1.6	-7.3	-5.0

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.

THE NEWEST NEW MATH. If you learned ‘old’ math, you may find ‘new’ math bewildering, and that can make helping with homework really challenging. It is possible we will soon have an even newer math curriculum.

Many Americans learned old math: addition and subtraction, multiplication tables, and long division. Some may have absorbed linear equations in algebra and isosceles triangles in geometry.⁸ The new math entails a similar but different skill set. For instance, new math requires students to:⁹

- Solve 12 times 37 using box multiplication
- Answer 10 minus 7 using a 10-frame
- Solve 57 minus 14 using base ten subtraction
- Explain how to decompose numbers
- Solve word problems using an open number line

If you are familiar with any of these new problem-solving methods, congratulations! You are ahead of the curve.

Unfortunately, the new math has not been improving Americans’ performance on the Program for International Student Assessment (PISA), a standardized test administered in 70 countries. In 2018, the U.S. placed 39th in math.¹⁰

Jo Boaler, the Nomellini-Olivier Professor of Mathematics Education at Stanford University, and Steven Levitt, an economist and author, think we need to change what we are teaching. In an opinion piece in the *Los Angeles Times*, they wrote:¹¹

“What we propose is as obvious as it is radical: to put data and its analysis at the center of high school mathematics. Every high school student should graduate with an understanding of data, spreadsheets, and the difference between correlation and causality. Moreover, teaching students to make data-based arguments will endow them with many of the same critical-thinking skills they are learning today through algebraic proofs, but also give them more practical skills for navigating our newly data-rich world.”

Get ready for 21st century math!

Weekly Focus – Think About It

“Instead of being like a circus where the trainer uses his stick to make animals do stunts to serve the interest of the audience, the system of education should be like an orchestra where the conductor waves his stick to orchestrate the music already within the musicians’ hearts in the most beautiful manner. The teacher should be like the conductor in the orchestra, not the trainer in the circus.”

--Abhijit Naskar, Neuroscientist and author¹²

From the Team of Advisors at J M Brown Financial Partners

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- * This newsletter was prepared by PEAK.
 - * 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 DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices.
 - * 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.
 - * Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
 - * Past performance does not guarantee future results.
 - * You cannot invest directly in an index.
 - * Consult your financial professional before making any investment decision.
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Sources:

- ¹ https://www.barrons.com/articles/stocks-keep-hitting-record-highs-where-to-find-values-now-51573261145?mod=hp_DAY_1 (or go to https://peakcontent.s3-us-west-2.amazonaws.com/+Peak+Commentary/11-11-19_Barrons-Stocks_Keep_Hitting_Record_Highs-Where_to_Find_Values_Now-Footer_1.pdf)
- ² <https://corporatefinanceinstitute.com/resources/knowledge/valuation/paper-wealth/>
- ³ <https://www.thecalculatorsite.com/articles/finance/how-much-is-a-trillion.php>
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- ⁹ <https://www.understood.org/en/school-learning/learning-at-home/homework-study-skills/9-new-math-problems-and-methods>
- ¹⁰ <http://factsmaps.com/pisa-worldwide-ranking-average-score-of-math-science-reading/>
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- ¹² <https://www.goodreads.com/quotes/tag/education-reform>