EVERETT FINANCIAL GROUP

Weekly Commentary

February 24, 2020

The Song Ship

In August 1879, a ship called the *Ravenscraig* pulled into Honolulu carrying laborers from the Portuguese island of Madeira bound for Hawaii's sugar fields. It also carried with it the seeds of a musical revolution.

A few days later, the *Hawaiian Gazette* reported that some of the recently arrived Portuguese were "delighting the people with nightly street concerts." The newspaper said the recent arrivals were playing a "strange instrument" that was a cross between a guitar and a banjo.

The little instrument struck a chord with the Hawaiians.

After working off their obligations to the sugar plantations that brought them to Hawaii, several of the men on the ship set themselves up in Honolulu as cabinetmakers. They also began turning out modified versions of their "strange instrument." Islander snapped them up.

The Diminutive four-stringed instrument the Portuguese had brought with them was known on Maderia as a "machete," In Hawaii, some people referred to the local versions as a "taro patch fiddle." By the 1890s, it had been christened with a new name under which it would become famous the world over as a signature element of Hawaiian music.

The ukulele.

The instrument became a favorite of Hawaiian King David Kalakaua. The name comes from the Hawaiian word uku meaning "flea" and "lele" to jump. Some say it refers to the action of the fingers on the strings. Others claim that it was a derogatory nickname of a royal adviser named Edward Purvis who helped to popularize the instrument.

The Greatest Music Stories Never Told

Weekly Market Commentary
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The Markets

Risk on or risk off?

The coronavirus appears to have inspired two distinct schools of thought among investors. Some investors currently favor opportunities that are considered lower risk, like Treasury bonds and gold, because they're concerned about the potential impact of the coronavirus on the global economy. Others are piling into higher risk assets, like stocks, that could benefit if central banks (like the United States Federal Reserve) take steps to stimulate economic growth, reported Randall Forsyth of *Barron's*.

Currently, the Federal Reserve (Fed) is holding interest rates steady. The minutes of the January Federal Open Market Committee meeting indicated the Fed, "...generally saw the distribution of risks to the outlook for economic activity as somewhat more favorable than at the previous meeting," reported Lindsay Dunsmuir of *Reuters.*

Last week, Fed Chair Jerome Powell said it was too soon to know whether the economic effects of the coronavirus on the U.S. economy would warrant a change in monetary policy.

During periods of uncertainty, like this one, the benefits of holding well-allocated, well-diversified portfolios become clear:

- By holding asset classes (e.g., stocks, bonds, and other asset types) that respond differently to the same market conditions, investors protect themselves from the poor performance of a single type of asset.
- By diversifying holdings within asset classes (e.g., investing in different parts of the world, investing in different industries), investors protect themselves against the poor performance of a single investment.

Choosing a well-allocated and diversified portfolio that aligns with your goals, objectives, and risk tolerance can help provide reassurance when markets are volatile. Asset allocation and diversification are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss.

Last week, major U.S. stock indices moved lower. Al Root of *Barron's* reported, "The Dow Jones Industrial Average dropped 1.4 percent this past week, snapping two weeks of solid gains...The S&P 500 index dropped 1.2 percent for the week...The Nasdaq Composite dropped 1.6 percent on the week..."

The CBOE Volatility Index (VIX), known as Wall Street's fear gauge, moved higher.

Data as of 2/21/20	**1-Week**	**Y-T-D**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Standard & Poor's 500 (Domestic Stocks)	-1.3%	3.3%	20.3%	12.2%	9.6%	11.7%
Dow Jones Global ex-U.S.	-1.4	-1.8	6.6	4.6	2.0	3.0
10-year Treasury Note (Yield Only)	1.5	NA	2.7	2.4	2.1	3.8
Gold (per ounce)	3.9	7.9	23.4	10.0	6.4	4.0
Bloomberg Commodity Index	1.2	-5.7	-6.8	-4.6	-5.6	-5.5

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.

SOME PEOPLE MUST STILL TAKE REQUIRED MINIMUM DISTRIBUTIONS AT 70½. The Setting Every Community Up for Retirement Enhancement (SECURE) Act was signed into law late in 2019. One of its provisions changed the rules for required minimum distributions (RMDs).

RMDs are the amounts owners of IRAs, 401(k)s, and other tax-advantaged retirement plan accounts must withdraw from those accounts every year to avoid tax penalties. In some cases, retirees take more than the required minimum amount, especially when they are using the funds for income.

Prior to passage of the SECURE Act, Americans were required to take RMDs in the year they reached age 70½. This rule continues to apply to anyone who reached age 70½ prior to 2020. The Internal Revenue Service (IRS) defines age 70½ this way: The date that is six calendar months after your 70th birthday.

Beginning in 2020, owners of tax-advantaged retirement accounts do not have to begin taking RMDs until the year in which they reach age 72.

While the SECURE Act changed the age for RMDs, Qualified Charitable Distributions (QCDs) from IRAs were not affected by the new law. QCDs still can begin at age 70½.

RMDs can be complex, especially for households that have several IRA and retirement plan accounts. It's a good idea to consult with a financial or tax professional before making any RMD decision. If you would like to discuss the finer points of RMDs, or receive some assistance calculating RMDs, get in touch. We're happy to help.

Weekly Focus - Think About It

"Friendship...is born at the moment when one [person] says to another "What! You too? I

thought that no one but myself..."
--C.S. Lewis, writer and theologian

Best Regards,

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Certified Wealth Strategist®
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Complimentary Consultation For Your Referral

The highest compliment you can give us is the referral of your family and friends. Your referrals are always welcome. Refer someone to us today and give them the gift of a complimentary consultation!

Sources:
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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.
* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.
* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.
* All indexes referenced are unmanaged. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
* The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
* 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 afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
* The Bloomberg 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 Total Return 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.
* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* You cannot invest directly in an index.
* Stock investing involves risk including loss of principal.
* Consult your financial professional before making any investment decision.