

Commentary

January 9, 2017

The Markets

...And, they're off!

Bullish sentiment helped world equity markets get off to a fast start last week. Just name a country or region – developed markets, emerging markets, the United States, Latin America, Asia, Europe, the United Kingdom – and it's likely the area's benchmark index may have been up for the week.

Not everyone was in the bullish camp, though. *Barron's* reported:

"The market optimism is understandable. After a long spell of zero interest rates, a baton transfer from monetary manipulation to fiscal stimulus and pro-growth chutzpah can be an exciting regime change... But investors' hopes could be misplaced. It would be one thing if there were shovel-ready infrastructure projects or proposed tax cuts on the table that could quickly boost spending. Instead, Republicans propose, for example, changing the basis for corporate tax from location of operations to location of sales. The aim is to encourage domestic production and exports, but the plan could hurt companies that import materials or goods. Will big importers like [big box stores] pass the tax hit onto consumers by raising prices?"

For contrarians, record highs for U.S. stock markets (both the Standard & Poor's 500 Index and NASDAQ closed at new highs last week) and strong bullish sentiment (*Barron's* reported, "The Investors Intelligence survey of newsletter writers showed the bullish herd swelling above 60 percent...") are red flags, signaling an inflection point may be near.

No matter which camp you fall into, there is a lot of uncertainty. Which policies will the new administration pursue? Will China's growth slow more quickly than expected? How quickly will the Federal Reserve raise rates? Will interest rates continue to move higher? Will a stronger dollar negatively affect emerging markets? In the face of so much uncertainty, it's important to be diversified.

Data as of 1/6/17	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.7%	1.7%	14.4%	7.6%	12.3%	4.9%
Dow Jones Global ex-U.S.	2.0	2.0	8.3	-2.4	3.3	-0.9
10-year Treasury Note (Yield Only)	2.4	NA	2.2	3.0	2.0	4.7
Gold (per ounce)	1.5	1.5	7.7	-1.9	-6.2	6.8
Bloomberg Commodity Index	-0.2	-0.2	14.0	-11.3	-9.3	-5.7
DJ Equity All REIT Total Return Index	2.0	2.0	10.6	13.2	12.4	5.4

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.

Diversification cannot ensure a profit or protect against a loss.

ARE YOU THINKING ABOUT STARTING A BUSINESS? Small businesses in the United States employed 56.8 million people or 48 percent of the private workforce in 2013 (the latest numbers available), according to the U.S. Small Business Administration. That's pretty remarkable when you realize that 34 percent of small businesses employ fewer than 100 people.

If you're thinking of starting a business, the AARP suggests you carefully consider legal and tax issues, including:

- **Business structure.** Will you be a sole proprietor? Or will you establish a corporation, limited liability company, or partnership? The structure of your business will affect taxes, liability, and other matters.
- **Licensing.** Many cities and states require a new business to register, apply for a business license, and pay an annual fee to do business.
- **Tax payments.** Talk with a tax professional to determine whether you need to make quarterly tax payments. Also, be aware that people who work for themselves pay both the employer and employee portions of Social Security and Medicare taxes. You'll want to factor that in when deciding pricing for products or services.
- **Recordkeeping.** In many cases, your business will need its own bank account and credit cards. You'll also need a system for tracking business receipts and expenditures. Investing in business accounting software can make recordkeeping a lot easier.

• **Contracts.** Contracts specify deadlines, terms of payment, and other particulars, ensuring everyone shares the same understanding and expectations. If your client asks you to sign a contract or asks you to provide a contract, consult with your attorney.

• **Liability insurance.** Professional liability insurance protects you if you're ever sued, and some clients may require you to have coverage. Talk with your financial or insurance professional to determine what type of coverage you may need.

Of course, when you work for yourself, it's critical to set money aside for retirement. Contact your financial and/or tax professional to discuss options that might work for you.

Weekly Focus – Think About It

“We have neglected the truth that a good farmer is a craftsman of the highest order, a kind of artist.”
--Wendell Berry, *American novelist and poet*

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* There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.

* 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 indices 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.

* Consult your financial professional before making any investment decision.

* Stock investing involves risk including loss of principal.

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