



# Weekly Commentary

October 30, 2017

## THE MARKETS

The last full week of October was a box full of surprises.

First, U.S. economic growth exceeded expectations. The devastation wrought by Hurricanes Harvey, Irma, and Maria was widely expected to stifle U.S. quarterly growth, according to NPR. The *Atlanta Federal Reserve* predicted 2.5 percent gross domestic product (GDP)\* growth for third quarter, down from 3.1 percent the previous quarter. Instead, U.S. GDP grew by 3.0 percent.

In fact, productivity has been flourishing around the globe. The *Financial Times* reported:

"...activity has again broken upwards in recent weeks, with growth in the advanced economies close to the highest rates seen since before the Great Financial Crash (GFC), apart from in the immediate recovery phase in 2010. Furthermore, world trade volume has now joined the recovery, and corporate expenditure on jobs and machinery is picking up. Overall, it seems

that some of the symptoms of "secular stagnation" are beginning to fade..."

Tech companies were a sensation last week, too. Several of the biggest firms beat earnings estimates by wide margins, pushing share values higher, reported *CNBC*. Despite tech's strong performance, the Standard & Poor's 500 Index (S&P 500) has delivered third quarter earnings growth of 4.7 percent with more than half of companies reporting.

Earnings are lower than they would have been without the hurricanes, according to FactSet. With insurance industry earnings excluded, the S&P 500's earnings growth pops from 4.7 percent to 7.4 percent.

The final surprise for the week was the doldrums. October is supposed to be the most volatile month of the year, according to Barron's. Instead, we've experienced the calmest October since 1928.

The S&P 500 and the NASDAQ both finished last week at new all-time highs.

\*GDP is the value of all goods and services produced in a region.



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| Data as of 10/27/17                     | 1 WEEK | YTD   | 1 YEAR | 3 YEAR | 5 YEAR | 10 YEAR |
|---|--------|-------|--------|--------|--------|---------|
| Standard & Poor's 500 (Domestic Stocks) | 0.2%   | 15.3% | 21.0%  | 9.6%   | 12.8%  | 5.3%    |
| Dow Jones Global ex-U.S.                | -0.2   | 20.5  | 20.2   | 4.4    | 5.2    | -1.2    |
| 10-year Treasury Note (Yield Only)      | 2.4    | NA    | 1.8    | 2.3    | 1.7    | 4.4     |
| Gold (per ounce)                        | -1.2   | 9.3   | 0.0    | 1.0    | -5.8   | 4.9     |
| Bloomberg Commodity Index               | 0.7    | -1.9  | -0.4   | -9.8   | -9.6   | -7.2    |
| DJ Equity All REIT Total Return Index   | -1.4   | 5.8   | 9.8    | 7.5    | 10.0   | 6.2     |

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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# Weekly Commentary

## AND THE LEADER IN BIOMETRIC IDENTIFICATION IS INDIA!

Remembering passwords, especially if you follow best practices and have unique 12- to 15-character passwords for each account, can be challenging.

Even when you follow best practices, which many people do not, passwords are vulnerable to data breaches. The *Harvard Business Review* recently reported password insecurity is one reason businesses have been opting for biometric technology such as:

- Fingerprint readers
- Eye scanners
- Voice recognition systems
- Hand geometry

For instance, in Hangzhou, China, a “health-food concept restaurant” belonging to an American fast food chain, relies on facial recognition software to allow diners to pay with a smile, according to c|net.com. It’s a lot to digest.

India is a leader in the new technology. Ninety-nine percent of adults in the country have been enrolled in Aadhaar, a biometric identification program that has collected the fingerprints and iris scans of more than a billion people since 2010, according to *The Economist*.

When given permission, Indian government bodies and private businesses can match the fingerprints or irises of individuals to their unique 12-digit numbers, facilitating purchases, payments, and other processes.

The system has some glitches, though:

negative, an extraordinarily high failure rate for a technology that people rely on for necessities.”

Regardless, *Morgan Stanley* believes “digitizing its predominantly cash-based economy and reforming its archaic tax system” will help put India on the economic fast track. “The country was already on a strong trajectory, but digitization puts India’s nominal GDP growth on track to compound annually by more than 10 percent in U.S. dollar terms over the coming decade.”



“Unlike reading an ID card, checking someone’s identity through Aadhaar requires an internet connection and, often, electricity. Rationshop owners in out-of-the-way places are known to march their customers to the top of a hill, roof, or tree – wherever a phone signal can be found – to check their identity. Even then, samples seem to show that roughly a third of authentications come back

## WEEKLY FOCUS— THINK ABOUT IT

“There is probably no pleasure equal to the pleasure

of climbing a dangerous Alp; but it is a pleasure which is confined strictly to people who can find pleasure in it.”

*-Mark Twain, American Novelist*

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.

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