

Commentary

December 4, 2017

The Markets

What will it take to shake investors' confidence?

From the perspective of unsettling events, last week was jam-packed. North Korea claimed to have the capability to strike the United States with a nuclear missile, tax reform continued to travel a controversial path through the House and Senate, and former national security adviser Michael Flynn pled guilty to lying to the FBI about conversations with Russia's ambassador.

U.S. stock markets weren't immune to these events and some lost value. However, the Dow Jones Industrial Average and the Standard & Poor's 500 Index didn't stay down for long. Both indices finished the week higher.

Barron's reported black-box trading may have been the reason "... the Dow shed 400 points from peak to trough in a matter of minutes. The drop happened so quickly that some opined that humans couldn't have been responsible for the tumble. 'No way real traders were moving that fast,' says Andrew Brenner, head of international fixed income securities at NatAlliance Securities. 'Clearly, it was algorithms taking over.'"

Investor sentiment remained largely undented. The *AII Sentiment Survey* showed slightly more investors were bullish near week's end than had been the previous week. Bearishness was also up, gaining 2.6 percent. Fewer investors were neutral about markets. Despite an increase in bullish sentiment, the level was below the historic average for bullishness for the 39th time in 2017. (The *AII* survey runs from Thursday to Thursday, so it did not reflect any changes in sentiment that may have occurred after reports of Michael Flynn's indictment and cooperation with special investigators.)

The *CNN/Money Fear & Greed Index* is an investor sentiment gauge that relies on seven market indicators – stock price momentum, strength, and breadth, put and call options, junk bond demand, market volatility, and safe haven demand – to measure whether fear or greed is driving the market. Last week, the needle was in the Greed range, as it has been for some time.

Data as of 12/1/17	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.5%	18.0%	20.6%	8.8%	13.4%	6.0%
Dow Jones Global ex-U.S.	-1.6	21.1	23.8	3.8	4.9	-0.7
10-year Treasury Note (Yield Only)	2.4	NA	2.4	2.2	1.6	3.9
Gold (per ounce)	-1.2	10.0	9.8	2.2	-5.8	5.0
Bloomberg Commodity Index	-0.6	-1.2	-0.5	-9.0	-9.6	-6.9
DJ Equity All REIT Total Return Index	-0.5	9.2	15.8	7.5	10.7	7.3

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.

RETIREMENT REQUIREMENTS. For a number of years, policymakers have been focused on finding ways to help Americans become better financially prepared for retirement. Studies have found having access to payroll-deduction retirement savings plans at work makes it 15 times more likely Americans will save for the future. Consequently, policymakers have focused their attention on smaller companies. About 36 percent of Americans work for companies with fewer than 100 employees, and many of these businesses do not offer retirement plans.

Last July, Oregon launched *OregonSaves*, the state's auto-IRA program. Companies that don't have workplace retirement plans are required to facilitate the program by:

- Providing information to set up Roth IRA accounts for employees
- Making payroll deductions to the Roth accounts
- Delivering updated employee information California, Connecticut, Illinois, Maryland, and Massachusetts are working on similar programs.

Some business owners have embraced the auto-IRA opportunity, while others object to having the government involved. A *Pew Charitable Trusts* survey of 1,600 small and mid-sized business owners

found 51 percent would prefer to sponsor their own retirement plans rather than participate in a state-run plan.

Many employers who participated in focus groups were not aware low-cost retirement plan options are available in the marketplace. *Pew* researchers noted:

“Most [small and medium-sized employers] did not have a full understanding of how 401(k) plans work, and few were familiar with plans or incentives designed for small businesses, such as the Simplified Employee Pension (SEP) Plan, the Savings Incentive Match Plan for Employees (SIMPLE), or the small employer tax credit for retirement plan startup costs.”

If you're interested in learning more about retirement plan options for small businesses, sole proprietorships, or freelancers, contact your financial professional.

Weekly Focus – Think About It

“Humanity is a lot like me. It’s an aging movie star, grappling with all the newness around it, wondering whether it got it right in the first place and still trying to find a way to keep on shining regardless.”

--*Shah Rukh Khan, Indian film actor*

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- * 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.
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