

“A Final Reflection”

By Tommy Williams, CFP®

How good was 2017? It was so good, the Standard & Poor’s (S&P) 500 Index finished in positive territory every month for the first time ever (on a total return basis), reported *Barron’s*. All major U.S. indices finished the year with double-digit gains.



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As we enter 2018, keep an eye on investor sentiment. *“History has shown us that the crowd can be right during trends, but it also tends to be wrong at extremes. This is why sentiment can be an important contrarian indicator, because if everyone who might become bearish has already sold, only buyers are left. The reverse also applies,”* reported *ValueWalk*.

Toward the end of 2017,

sentiment shifted, but not everyone shared the same outlook. Surveys and indices that track market indicators and institutional advice became less bullish, while newsletter writers and investors became more bullish.

- The *CNN Fear & Greed Index* dropped from Greedy territory into the Neutral range. The Index measures seven indicators including stock price strength and breadth, market momentum, high-yield bond demand, and market volatility to determine the emotion that may be driving markets.

- The *TIM Group Market Sentiment* fell from 47.3 percent to 43 percent, becoming more pessimistic. TIM tracks actionable ideas sent from the sell-side (e.g., investment and commercial banks; stock brokers; market makers) to buy-side clients (e.g., asset managers; institutional and retail investors). A score of zero is the most pessimistic and 100 is the most optimistic.

- The *AII Investor Sentiment Survey* indicated individual investors are becoming more bullish

and less bearish. Some believe the survey is a contrarian indicator:

- o Bullish sentiment was up 2.1 percent to 52.6 percent. The long-term average is 38.5 percent.
- o Neutral sentiment was up 2.8 percent to 26.7 percent. The long-term average is 31.0 percent.
- o Bearish sentiment was down 5 percent to 20.6 percent. The long-term average is 30.5 percent.

During 2017, U.S. markets appeared to be Teflon-coated. Geopolitical events, natural disasters, and other shocks had little impact on investor optimism or share prices, and expectations for volatility remained historically low. That may continue during 2018, or it may not.

So, before we move on to what 2018 brings us, let’s reflect one more time, on the year just passed. It may have seemed longer but 2017 had 365 days, just like every other year. It was a year of firsts, worsts, and bests, although not everyone agrees about which were which. Here are a few memorable pop culture moments from 2017:

• **Making a mistake.** “At February’s Oscars, some [person] hands presenters Warren Beatty and Faye Dunaway the wrong envelope, leading to an incorrect announcement of Best Picture. The actual winner turns out to be whatever other accounting companies are vying for the academy’s business,” reported *New York Post*.

• **Seeing and hearing the children.** An interview with South Korea expert, Professor Robert Kelly, was interrupted by his toddlers and became a viral sensation. One Twitter post read, “Live your life like you just burst through the door of your dad’s super important live broadcast Skype call,” reported *The Independent*.

• **Empowering women.** “Wonder Woman became the best-reviewed DC Universe film and a box-office hero when it hit theaters in May...[It] had the biggest opening ever for a movie directed by a woman with a \$100.5 million debut and presented a turning point for female representation on the big screen,” wrote *USA Today*.

• **Beknighting another Beatle.** That’s right. The Beatles’ former drummer Ringo Starr is on the list to receive knighthood during Queen Elizabeth’s annual New Year’s Honours ceremony, announced

Rolling Stone. You know it don’t come easy.

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