

Commentary

November 13, 2017

The Markets

Selling it overseas.

Most of the companies in the Standard & Poor's 500 (S&P 500) Index have reported third quarter earnings per share (EPS), which is the profit earned per share of stock outstanding during the period. Many have done quite well.

With more than 90 percent of companies reporting, the total EPS growth rate for the S&P 500 has exceeded expectations, reported FactSet. In aggregate, the growth rate accelerated from 3.1 percent on September 30 to 6.1 percent last week.

It's interesting to note companies that sell more products and services outside the United States experienced significant increases in EPS when compared to companies that sell more at home. S&P 500 companies with:

- More than one-half of sales in the United States had an aggregate growth rate of 2.3 percent.
- Less than one-half of sales in the United States had an aggregate growth rate of 13.4 percent.

The disparity owed much to the weaker U.S. dollar and faster economic growth in other countries, including emerging markets.

Investors weren't all that appreciative of strong corporate performance. They rewarded positive EPS surprises less than average and penalized negative EPS surprises more than average. On November 10, *FactSet* explained:

"...it may be due to the high valuation of the index relative to recent averages. As of today, the forward 12-month P/E [price-to-earnings] ratio for the S&P 500 is 18.0... Prior to the month of October, the forward 12-month P/E had not been equal to (or above) 18.0 since 2002. Thus, despite the number and magnitude of positive earnings surprises in recent quarters, the market may be reluctant to push valuations even higher in aggregate."

Last week, major U.S. stock indices ended their multi-week winning streaks and finished lower.

Data as of 11/10/17	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.2%	15.3%	19.1%	8.2%	13.4%	6.0%
Dow Jones Global ex-U.S.	-0.3	21.3	23.0	4.0	5.7	-0.5
10-year Treasury Note (Yield Only)	2.4	NA	2.1	2.4	1.6	4.2
Gold (per ounce)	1.4	10.8	1.3	3.4	-5.8	4.8
Bloomberg Commodity Index	0.5	-0.3	4.1	-9.2	-9.1	-7.1
DJ Equity All REIT Total Return Index	2.7	9.9	17.9	8.2	11.1	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.

THE WINTER HOLIDAYS ARE ALMOST HERE. It's that time of year when people search and search for just-the-right gifts at just-the-right-prices for friends and loved ones. The *National Retail Federation* expects holiday sales to rise by 3.6 percent to 4.0 percent this year and total about \$680 billion. The average consumer expects to spend about \$970 on the holidays. Here are a few gift ideas for the hard-to-buy-for individuals on your list:

- **For coffee lovers.** It's an experience shared by coffee drinkers everywhere. You pour a cup, doctor it up, and before you can take a sip, you are called away. By the time you return, the coffee is cold. A ceramic mug with a microprocessor-controlled heating system can solve the problem.
- **For the outdoorsy.** Anyone who spends time in the sun knows the importance of sunscreen. The mystery is when to reapply it. The outdoorsy folks in your family may appreciate a UV patch. It's a wearable decal that changes color when it's time to reapply sunscreen.

- **For the indoorsy.** Series bingers and show streamers will love ‘wallpaper’ television. It’s a new kind of TV that viewers ‘peel and stick’ to their walls using magnetic mats.
- **For the fashion-conscious environmentalist.** Soon, clothing may be made of synthetic spider silk and bio-manufactured leather. It’s unlikely they’ll be available this winter, but you could give tickets to the Museum of Modern Art in New York City. Clothing made of these fabrics is on display through January 2018.
- **For the insomniac.** Know someone who has trouble sleeping? A white noise machine or an air purifier with a fan can provide constant, soothing sound that may help lull them to sleep.
- **For the vision impaired.** There are all kinds of gadgets that can make life a little easier for people with low or no vision. Try a wristband that shakes to give directions or a new ‘feeling fireworks’ display that simulates the visual experience through touch.

If you’re stressing because you cannot find the right gift, remember the best gift is time. Instead of buying things, invite the people on your gift list to join you for an event or an activity.

Weekly Focus – Think About It

“I slept and I dreamed that life is all joy. I woke and I saw that life is all service. I served and I saw that service is joy.”

--Kahlil Gibran, *Lebanese writer and poet*

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- * 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.
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