

Commentary

January 30, 2017

The Markets

An historic moment for U.S. stock markets...

The Dow Jones Industrial Average surpassed 20,000 last week. *Barron's* cautioned investors not to make too much of the milestone since, "There are only 30 stocks in the index so each one carries a lot of weight."

Regardless of the significance of the Dow's move, U.S. stock markets generally were upbeat about President Trump's first week in office. *Financial Times* reported 'animal spirits' – a term British economist John Maynard Keynes used to describe the emotions that drive consumer and investor confidence – returned as rapid executive action indicated the new President would follow through on campaign promises, including infrastructure spending.

"However, the Trump trade – reflecting hopes of tax cuts, higher infrastructure spending, and an easing in business regulation – that had dominated financial markets since November also underwent a subtle shift this week. While financial shares still shone, it was sectors that will benefit from infrastructure spending and cope with higher inflation that led the way. Up 3.4 percent, the materials sector was the best performer on the S&P 500 with miners also seeing gains."

Concerns about trade protectionism and rising inflation lingered.

U.S. stocks upward move was also supported by earnings growth. At the end of each quarter, companies report their earnings (which indicate how much profit they made during the period). *FactSet* reported 34 percent of companies in the Standard & Poor's 500 Index have reported fourth quarter earnings, so far. Altogether, earnings are 2.7 percent above the estimates, although they remain below the five-year average.

Markets could be in for a bumpy ride next week as investors weigh in on President Trump's immigration ban. *Bloomberg* reported one large technology company, "...inserted language in a securities filing on Thursday on the issue, cautioning investors that immigration restrictions 'may inhibit our ability to adequately staff our research and development efforts.'"

Data as of 1/27/17	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.0%	2.5%	21.9%	8.8%	11.8%	4.9%
Dow Jones Global ex-U.S.	1.6	4.1	15.3	-1.0	2.3	-0.9
10-year Treasury Note (Yield Only)	2.5	NA	2.0	2.8	1.9	4.9
Gold (per ounce)	-1.3	2.2	6.2	-2.0	-7.3	6.3
Bloomberg Commodity Index	-0.5	0.5	15.6	-11.2	-9.7	-5.8
DJ Equity All REIT Total Return Index	-0.8	0.0	14.4	12.3	10.5	4.3

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.

ARE YOUR CHILDREN SMART SHOPPERS? *Science Daily* reported a meta-analysis of 73 studies nationwide evaluated parenting styles and children's buying habits. The findings suggest, "children raised by parents who set limits and explain the reason behind these limits are most likely to develop into wise consumers."

The study, which was conducted by the *Society for Consumer Psychology*, looked at the ways parents raise and communicate with their children. It defined four basic parenting styles:

- **Authoritative parents** generally tell children what to do and also explain why the children should do it. "These parents tend to relate quite effectively with their children and expect them to act maturely and follow family rules, while also allowing a certain degree of autonomy."
- **Authoritarian parents** are restrictive, too. They tell children what to do, but don't often explain why it should be done. These parents are "...not as likely to exhibit as much warmth in their communications."
- **Neglecting parents** don't offer much guidance or actively monitor children's activities. "They neither seek nor use parental power and control and, as a result, communication between Neglecting parents and their children is generally strained and minimized."
- **Indulgent parents** often "...give children adult rights without concomitant responsibilities while

maintaining an open communication environment with children.” These parents are described as “lenient, compliant, accepting, affirmative, and non-punitive.”

The researchers concluded children whose parents take an authoritative approach to parenting tend to make better choices. The children choose to consume healthier foods (like fruits and vegetables), make better safety decisions (such as wearing a bike helmet), develop self-esteem, and offer viable opinions with regards to family consumption decisions.

Weekly Focus – Think About It

“Americans of all ages, all conditions, all minds constantly unite. Not only do they have commercial and industrial associations in which all take part, but they also have a thousand other kinds: religious, moral, grave, futile, very general and very particular, immense and very small; Americans use associations to give fêtes, to found seminaries, to build inns, to raise churches, to distribute books, to send missionaries to the antipodes; in this manner they create hospitals, prisons, schools. Finally, if it is a question of bringing to light a truth or developing a sentiment with the support of a great example, they associate.”

--Alexis de Tocqueville, *Author of ‘Democracy in America’*

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* Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.

* 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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