



EVERETT FINANCIAL GROUP

## Weekly Commentary

April 8, 2019

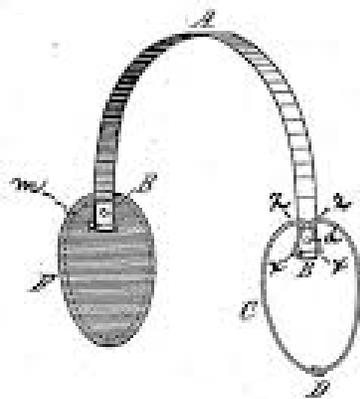


Fig. 1.



Fig. 2.

### Chester's Champions

Chester Greenwood's ears got cold when he went ice-skating. So cold it drove him crazy. First they would turn red, then blue. The teenager from Farmington, Maine, tried hats, and scarves, but nothing effectively protected Chester's sensitive protuberances from the arctic assault of the Maine winter.

So he decided to come up with his own solution.

He shaped two pieces of thin wire into loops. Then he asked his grandmother to sew fur covers for them. To keep these ear-insulators from falling off, he designed a springy metal band to connect them. At last his ears were warm and toasty.

At age fifteen, Chester Greenwood had invented earmuffs.

By the time he was nineteen, he began manufacturing his earmuffs. They sold chiefly in Maine in the early years, but soon word of Chester's "Champion Ear Protectors" spread far and wide. A skilled machinist, Chester built the equipment needed to turn them out in large numbers. Within ten years, he was making thirty thousands pairs a year. By the time he died, his company was making ten times that

many.

"Build a better mousetrap," said Ralph Waldo Emerson, "and the public will beat a path to your door." Turns out the same thing is true for earmuffs.

*Greenwood lived in Farmington his whole life. He also patented the steel-spring rake, and an improved teakettle.*

Farmington, Maine, celebrates the earmuff inventor on the first Saturday of every December, with "Chester Greenwood Day."

The Greatest Science Stories Never Told by Rick Beyer

## Weekly Market Commentary April 8, 2019

### The Markets

The first quarter of 2019 brought a welcome reversal.

Last year, *Barron's* published a group of market strategists' expectations for 2019 performance. The article came out in mid-December, before the steep year-end stock market decline. At that time, all of the strategists agreed: The S&P 500 Index would move higher during 2019.

Their expectations appeared to be wildly optimistic when the Index lost 3.5 percent during the last two weeks of 2018, and finished the year down 6.2 percent.

Overall, at the end of 2018, strategists expected the Index to reach 2,975 by year-end 2019. Despite starting 2019 at a lower level than many anticipated, the Index finished last week at 2,892, a gain of about 15.4 percent year-to-date, and 83 points from strategists' full-year performance expectations.

While the U.S. stock market has delivered attractive returns year-to-date, suggesting investors anticipate strong economic growth ahead, the bond market has been telling a different story.

Late in the first quarter, the yield curve inverted, which means the yield on short-term Treasury bonds was higher than the yield on long-term Treasury bonds. Inverted yield curves are unusual because investors normally want to earn a higher yield when they lend their savings for longer periods of time.

In some cases, inverted yield curves have been a sign that recession is ahead. That may not be the case this time, reported Eva Szalay of *Financial Times*. It seems the extreme measures taken by central banks following the financial crisis may have undermined the yield curve's predictive value:

"...according to a new piece of research from Pictet Wealth Management, the curve has been sending out misleading signals for a while. The distortions created by extraordinary post-crisis monetary policies have led to the breakdown in the relationship between interest rate expectations and economic growth, the firm argues...Since central banks have injected vast amounts of liquidity into their respective economies to compensate for lackluster growth, long-term interest rates have become artificially compressed...So the old rule no longer applies."

The yield curve has since righted itself.

While recession may not be imminent, there are signs economies around the world are growing more slowly. *Capital Economics* reported, "World GDP [gross domestic product] growth seems to have

slowed sharply in Q1, but the latest business surveys suggest that growth has bottomed out in some parts of the world at least...there are very few signs of improvement in the euro-zone and the United States has clearly been suffering from previous interest rate hikes and the fading fiscal boost. Those hoping for an imminent rebound in global growth are therefore likely to be disappointed."

Slowing growth isn't a sign recession is imminent in the United States. Last week's jobs report suggests the American economy is still healthy, reported Tim Mullaney of *MarketWatch*, even if it is puttering along at a slower pace than many would like.

Data as of 4/5/19	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	2.1%	15.4%	8.6%	12.3%	9.4%	13.2%
Dow Jones Global ex-U.S.	2.0	11.6	-5.5	7.2	0.9	6.1
10-year Treasury Note (Yield Only)	2.5	NA	2.8	1.7	2.7	2.9
Gold (per ounce)	-0.5	0.5	-3.0	1.5	-0.2	4.0
Bloomberg Commodity Index	1.6	7.4	-5.5	2.3	-9.4	-3.0
DJ Equity All REIT Total Return Index	1.0	18.4	21.1	8.5	10.1	17.2

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, MarketWatch, 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.

**EXERCISE IS IMPORTANT - REALLY IMPORTANT - BUT DON'T GET TOO MUCH.** Researchers tested the relationship between mental health and exercise by collecting self-reported data from 1.2 million Americans. They discovered exercise - including everything from childcare and housework to weight lifting and running - can improve mental health.

Americans who were active tended to be happier and experienced poor mental health about 35 days a year. In contrast, those who remained inactive felt bad emotionally about 53 days a year, reported *Entrepreneur.com*. Exercising in a social setting - team sports, classes, and group cycling, for instance - appeared to deliver the biggest mental health benefits.

The study's findings indicated it might be possible to exercise too much. "Exercising for 30-60 minutes was associated with the biggest reduction in poor mental health days...Small reductions were still seen for people who exercised more than 90 minutes a day, but exercising for more than three hours a day was associated with worse mental health than not exercising at all. The authors note that people doing extreme amounts of exercise might have obsessive characteristics which could place them at greater risk of poor mental health."

If you're not exercising regularly, you may want to find ways to include it in your day.

### Weekly Focus - Think About It

"I have always tried to put my kids first, and then...put myself a really close second, as opposed to fifth or seventh. One thing that I've learned from male role models is that they don't hesitate to invest in themselves, with the view that, if I'm healthy and happy, I'm going to be a better support to my spouse and children. And I've found that to be the case: Once my kids were settled, the next thing I did was take care of my own health and sanity. And made sure that I was exercising and felt good about myself. I'd bring that energy to everything else that I did, the career, relationship, on and on and on."  
 --Michelle Obama, Former First Lady of the United States

Best Regards,



Brian Everett  
Certified Financial Planner™  
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The highest compliment you can give us is the referral of your family and friends. Your referrals are always welcome. Refer someone to us today and give them the gift of a complimentary consultation!

Sources:

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\* 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 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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