

Commentary

December 11, 2017

The Markets

“It’s the hap- happiest season of all.”

While holidays don’t make everyone happy, investors should be feeling festive. The Standard & Poor’s 500 Index is up more than 18 percent year-to-date. The Dow Jones Global ex U.S. Index is up about 21 percent year-to-date (refer to the table), and Treasury bond yields are lower than they were at the start of the year.

In addition, the CBOE Volatility Index (VIX), a measure of how unpredictable investors expect the S&P 500 Index to be over the short-term, finished the week below 10. A low VIX reading means investors expect calm markets through the end of the year.

Some are wary of the optimism that pervades markets, though. *Barron’s* wrote:

“In fact, everything’s going well right now – really well... The Citigroup U.S. Economic Surprise Index – a metric designed to measure the extent to which economic data have been beating or missing expectations – is near its highest level since January 2014, a sign of just how smoothly everything’s been going. The problem is that once the data have been surprising by this much, for this long, it gets hard for good news to provide much more of a boost...”

There was a disappointing piece of economic news last week concerning wages. Unemployment has fallen to a 17-year low (4.1 percent), and unemployment in the manufacturing sector is at 2.6 percent, an all-time low. It appears demand for labor is high and supply is low. That should translate into higher wages, but it hasn’t yet. Average hourly earnings are up 2.5 percent year-on-year. That’s an improvement on October, but not much of one.

A lot of folks are scratching their heads wondering when inflation is going to move higher. The Fed has been expecting it to happen for a while. Maybe 2018 will be the year.

Data as of 12/8/17	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor’s 500 (Domestic Stocks)	0.4%	18.4%	18.0%	8.8%	13.3%	5.8%
Dow Jones Global ex-U.S.	0.0	21.0	20.8	4.1	4.7	-0.8
10-year Treasury Note (Yield Only)	2.4	NA	2.4	2.3	1.6	4.2
Gold (per ounce)	-2.0	7.9	6.8	1.6	-6.1	4.5
Bloomberg Commodity Index	-2.9	-4.0	-4.1	-9.2	-9.9	-7.2
DJ Equity All REIT Total Return Index	-9.5	-1.1	-0.1	3.8	8.3	5.7

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 YOU CONCERNED ABOUT HUMAN OBSOLESCENCE? Researchers from the University of Oxford and Yale University asked experts at several artificial intelligence (AI) conferences how long it would be before machines became better than humans at various tasks. The answers weren’t encouraging.

Overall, researchers think there is a 50 percent chance that AI will outperform humans at all tasks within 45 years. They also said it’s possible many jobs humans do now will be automated within 120 years. Asian survey participants expect the change to happen more quickly than North American participants do.

Wondering if this might affect you? Here are a few of the time frames as determined by averaging survey participants’ answers. Machines may be better at:

- Translating languages by 2024
- Writing high-school essays by 2026 (Would this be cheating?)
- Driving trucks by 2027
- Working in retail by 2031

- Writing bestselling books by 2049
- Working as surgeons by 2053

While the idea of human employment prospects becoming more limited is disturbing, there is still time to capitalize on shorter-term opportunities. For example, eSports is a booming industry. *FactSet* reported, “Last year’s League of Legends World Championship sold out the Los Angeles Staples Center in less than an hour...an additional 43 million tuned in online – for context, the 2016 NBA Finals Game 7 broke records with 30 million viewers...” The League of Legends champions took home about \$1.5 million in 2017.

If you can’t picture yourself encouraging your loved ones to spend hours playing video games, perhaps an online or bricks and mortar eSports store is an option. According to reports from *Statista*, the eSports market is growing 40 percent year-over-year globally and is expected to generate about \$1.5 billion by 2020.

Weekly Focus – Think About It

“Gamers always believe that an epic win is possible and that it’s always worth trying, and trying now. Gamers don’t sit around.”

--Jane McGonigal, *American game designer and author*

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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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