

Weekly Market Commentary November 5, 2018

The Markets

Stocks recovered some ground last week and then stumbled over unemployment.

Major U.S. stock indices faltered Friday after the *Bureau of Labor Statistics (BLS)* reported on a popular 'lagging' economic indicator – unemployment. (Remember, lagging indicators describe what has happened in the past.) The *BLS* reported:^{1, 2, 3}

“The unemployment rate remained at 3.7 percent in October, and the number of unemployed persons was little changed at 6.1 million. Over the year, the unemployment rate and the number of unemployed persons declined by 0.4 percentage point and 449,000, respectively.”

Reuters reported the number of Americans receiving unemployment benefits was at the lowest level in 45 years. That is good news, but it is old news. Again, unemployment is a lagging indicator and the report reflected what happened in October.⁴

The stock market, on the other hand, is a 'leading' economic indicator. It moves in response to investors' expectations for the future – and recent gyrations suggest investors are not certain what to think. *Barron's* Daren Fonda wrote, “The market's 6.9 percent slide in October and the stock averages' wild swings are testing everyone's mettle.”^{2, 5}

Economists are uncertain about what is to come, too. Kevin L. Kliesen, in an *Economic Synopses* on the *St. Louis Federal Reserve* website, wrote, “Historically, a trough in the unemployment rate also tends to be a reliable predictor of a business recession...an economic analyst is nonetheless never sure that a trough has occurred. Indeed, the unemployment rate can move up and down over the expansion.”⁶

There is one thing many analysts think is likely. They expect the Federal Reserve to increase the Fed funds rate, so the U.S. economy does not overheat. Paul Kiernan at *The Wall Street Journal* reported, “Robust hiring and wage gains last month leave the Federal Reserve all but certain to raise interest rates in December and on course to continue gradually lifting them next year.”⁷

Higher interest rates are expected to keep inflation in check by slowing economic growth.⁸

Despite Friday's stumble, major U.S. stock indices finished the week higher.¹

Data as of 11/2/18	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	2.4%	1.9%	5.6%	9.0%	9.0%	10.9%
Dow Jones Global ex-U.S.	3.9	-11.4	-9.3	2.7	0.1	4.8
10-year Treasury Note (Yield Only)	3.2	NA	2.4	2.2	2.6	3.9
Gold (per ounce)	-0.1	-5.0	-3.7	2.8	-1.4	5.4
Bloomberg Commodity Index	-1.3	-4.9	-3.2	-1.2	-7.4	-4.4
DJ Equity All REIT Total Return Index	0.8	-1.1	0.2	5.0	7.9	12.0

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.

HERE IS AN UNEXPECTED RETIREMENT SAVING TRICK. If you are concerned your adult children are not saving enough for retirement, send them a photo of themselves that is altered so they appear to be older, perhaps age 60 or 70. (You can do this for yourself, too.)⁹

One reason Americans do not begin saving early enough, or save as much as they should for retirement, is 'present bias.' When asked to choose between two possible rewards, research shows that people tend to choose the one that will be received sooner.¹⁰

For instance, imagine you have chocolate and fruit salad. Which will you choose to eat today, and which will you choose to eat next week? Researchers found that 83 percent of people chose chocolate today and fruit salad next week.¹¹

Try this one.

You can watch one movie today and another movie tomorrow. Your choices include 'Anchorman,' 'Clear and Present Danger,' 'The Piano,' and 'Schindler's List.' What movie will you watch today? Which will you watch tomorrow?

Researchers found a higher percentage of participants chose to watch lighter films on the day they were asked and more intellectually taxing films later.¹²

When presented with the choice to vacation today or save for retirement, it is little surprise many people choose the former. The rewards associated with retirement are often far into the future. As a result, until a person is within a decade or so of retirement, it is easy to rationalize spending on other things and not setting aside money for the future.¹²

There is a way to overcome present bias. When people 'get to know' their older selves by spending time looking at altered photos, they tend to save more for the future.⁹

Weekly Focus – Think About It

“If we now care little about ourselves in the further future, our future selves are like future generations. We can affect them for the worse, and, because they do not now exist, they cannot defend themselves. Like future generations, future selves have no vote, so their interests need to be specially protected. Reconsider a boy who starts to smoke, knowing and hardly caring that this may cause him to suffer greatly fifty years later. This boy does not identify with his future self.”

--Derek Parfit, *British philosopher*¹³

From the Team of Advisors at J M Brown Financial Partners

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to our distribution list, please reply to this email with their email address and we will ask for their permission to be added.

Securities offered as Registered
Representatives
through Purshe Kaplan Sterling Investments,
Member FINRA/SIPC
Purshe Kaplan Sterling Investments and J M
Brown Financial Partners are not affiliated
companies
18 Corporate Woods Blvd., Albany, NY 12211
Tele (800) 801-6851

Investments through PKS or RIA are:
NOT FDIC INSURED/NOT BANK GUARANTEED
MAY LOSE VALUE, INCLUDING LOSS OF
PRINCIPAL NOT INSURED BY ANY STATE OR
FEDERAL AGENCY

-
- * This newsletter was prepared by PEAK.
 - * The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.
 - * The DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices.
 - * 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 London afternoon gold price fix as reported by the London Bullion Market Association.
 - * The DJ 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 TR 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.
 - * Past performance does not guarantee future results.
 - * You cannot invest directly in an index.
 - * Consult your financial professional before making any investment decision.
 - * To unsubscribe from the “Weekly Commentary” please reply to this e-mail with “unsubscribe” in the subject line.

Sources:

- ¹ https://www.barrons.com/articles/stock-rally-fizzles-in-wake-of-strong-payrolls-report-1541201581?mod=hp_DAY_8 (or go to [https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/11-05-18_Barrons-Stock Rally Fizzles in Wake of Strong Payrolls Report-Footer 1.pdf](https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/11-05-18_Barrons-Stock+Rally+Fizzles+in+Wake+of+Strong+Payrolls+Report-Footer+1.pdf))
- ² <https://www.investopedia.com/ask/answers/what-are-leading-lagging-and-coincident-indicators/>
- ³ <https://www.bls.gov/news.release/empstat.nr0.htm>
- ⁴ <https://www.reuters.com/article/us-usa-economy-unemployment/u-s-labor-market-tightening-manufacturing-slows-idUSKCN1N64XA>
- ⁵ https://www.barrons.com/articles/stock-market-fear-1541091809?mod=hp_LEAD_3 (or go to [https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/11-05-18_Barrons-How to Take Fear Out of Your Investing Decisions-Footer 5.pdf](https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/11-05-18_Barrons-How+to+Take+Fear+Out+of+Your+Investing+Decisions-Footer+5.pdf))
- ⁶ <https://research.stlouisfed.org/publications/economic-synopses/2018/06/01/recession-signals-the-yield-curve-vs-unemployment-rate-troughs>
- ⁷ <https://www.wsj.com/articles/fed-will-likely-raise-rates-after-strong-jobs-report-1541176431> (or go to [https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/11-05-18_WSJ-Fed-Will Likely Raise Rates After Strong Jobs Report-Footer 7.pdf](https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/11-05-18_WSJ-Fed-Will+Likely+Raise+Rates+After+Strong+Jobs+Report-Footer+7.pdf))
- ⁸ <https://www.reuters.com/article/us-usa-economy/u-s-job-growth-soars-annual-wage-gain-largest-since-2009-idUSKCN1N70AJ>
- ⁹ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC3949005/>
- ¹⁰ <https://www.behavioraleconomics.com/resources/mini-encyclopedia-of-be/present-bias/>
- ¹¹ https://canvas.harvard.edu/files/2761311/download?download_frd=1 (Pages 10, 14-16; Course taught by Brigitte C. Madrian, <https://scholar.harvard.edu/bmadrian/classes/api-304-behavioral-economics-and-public-policy>)
- ¹² <https://pdfs.semanticscholar.org/2b03/cdc6119a5578cd284d8fe9de99e1f169a8fb.pdf> (Pages 262-263, 265)
- ¹³ <https://books.google.com/books?id=ulhHdvbDRUkC&pg=PA319&lpg=PA319&dq=If+we+now+care+little+about+ourselves+in+the+future,+our+future+selves+are+like+future+generations.+We+can+affect+them+for+the+worse,+and,+because+they+do+not+now+exist,+they+cannot+defend+themselves.+Like+future+generations,+future+selves+have+no+vote,+so+their+interests+need+to+be+especially+protected.&source=bl&ots=IVFartNzpF&sig=LgqLWOkCgwMlpj5ixgDFIqNMJuw&hl=en&sa=X&ved=2ahUKEwil5t3plbbeAhVRmeAKHbX1AhYQ6AEwAHoECAAAQ#v=onepage&q=319&f=false> (pages 319-320) (or go to [https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/11-05-18_Book Excerpt-Reasons and Persons-Footer 13.pdf](https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/11-05-18_Book+Excerpt-Reasons+and+Persons-Footer+13.pdf))