



# Weekly Commentary

November 11, 2019

## THE MARKETS

Last week, major United States stock indices finished at historic highs.

According to a source cited by Barron's, U.S. stock markets are responsible for creating \$6 trillion in paper wealth this year. 'Paper' wealth is when an asset is estimated to be worth a specific amount. The wealth becomes 'real' when the asset is sold.

If you're having difficulty comprehending \$6 trillion, imagine this: 3,786 miles of stacked \$100 bills. That's about 15 times higher than the space station. It's roughly the distance of a drive from the East Coast to the West Coast of the United States and about halfway back again.

To date, 2019 has been an exceptional year for U.S. stocks. At the end of last week, the Dow Jones Industrial Average was up 18.7 percent year-to-date, the S&P 500 had gained 23.4 percent, and the Nasdaq Composite had risen 27.7 percent.

Returns like these sometimes inspire investors to ignore their risk tolerance and increase allocations to U.S. stocks. That may not be a wise move. In an article

titled, 'How not to understand money,' *Financial Times* explained:

"One of the first things to know about equity investing is that stocks go up as well as down, and even the most successful ones never go up in a straight skyward trajectory."

There is a theory which holds that, over time, returns revert to the mean. *Investopedia* describes the phenomenon like this:

"A reversion to the mean involves retracing any condition back to a previous state. In cases of mean reversion, the thought is that any price that strays far from the long-term norm will again return, reverting to its understood state."

Since the current U.S. bull market in stocks has delivered above average returns for more than a decade, some analysts anticipate future returns may be less robust as returns revert to the mean.

Suffice it to say, it's not a good idea to be lured into holding more stocks because recent returns have been exceptional.

Those returns are, after all, in the past.

Data as of 11/8/2019	1 WEEK	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR
Standard & Poor's 500 (Domestic Stocks)	0.9%	23.4%	10.2%	13.1%	8.7%	11.0%
Dow Jones Global ex-U.S.	0.8	14.3	6.9	6.1	2.0	2.5
10-year Treasury Note (Yield Only)	1.7	NA	3.2	1.9	2.4	3.5
Gold (per ounce)	-3.0	14.2	19.6	4.5	4.7	2.8
Bloomberg Commodity Index	-0.4	4.2	-4.0	-1.7	-7.3	-5.0

Notes: S&P 500, DJ 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; 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.

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## THE NEWEST NEW MATH

If you learned 'old' math, you may find 'new' math bewildering, and that can make helping with homework really challenging. It's possible we'll soon have an even newer math curriculum.

Many Americans learned old math: addition and subtraction, multiplication tables, and long division. Some may have absorbed linear equations in algebra and isosceles triangles in geometry. The new math entails a similar but different skill set. For instance, new math requires students to:

- Solve 12 times 37 using box multiplication
- Answer 10 minus 7 using a 10-frame
- Solve 57 minus 14 using base ten subtraction
- Explain how to decompose numbers
- Solve word problems using an open number line

If you are familiar with any of these new problem-solving methods, congratulations! You are ahead of the curve.

Unfortunately, the new math hasn't been improving Americans' performance on the Program for International Student Assessment (PISA), a standardized test administered in 70 countries. In 2018, the U.S. placed 39th in math.

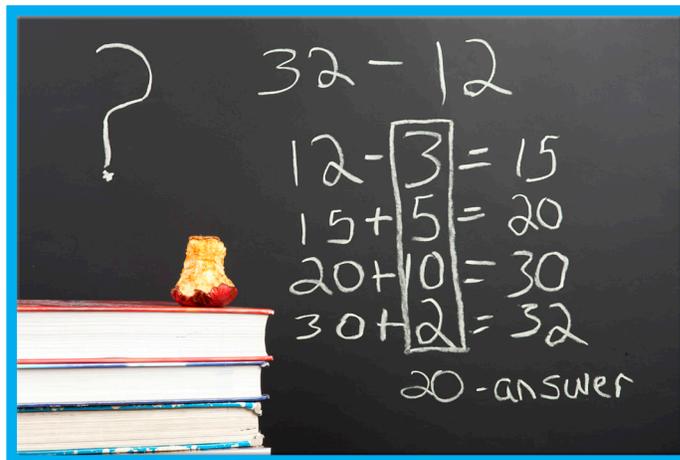
Jo Boaler, the Nomellini-Olivier Professor of Mathematics Education at Stanford University, and Steven Levitt, an economist and author, think we need to change what we're teaching. In an opinion piece in the *Los Angeles Times*, they wrote:

"What we propose is as obvious as it is radical: to put data and its analysis at the center of high school mathematics.

Every high school student should graduate with an understanding of data, spreadsheets, and the difference

between correlation and causality. Moreover, teaching students to make data-based arguments will endow them with many of the same critical-thinking skills they are learning today through algebraic proofs, but also give them more practical skills for navigating our newly data-rich world."

Get ready for 21st century math!



## WEEKLY FOCUS – THINK ABOUT IT

"Instead of being like a circus where the trainer uses his stick to make animals do stunts to serve the interest of the audience, the system of education should be like an orchestra where the conductor waves his stick to orchestrate the music already within the musicians' hearts in the most beautiful manner. The teacher should be like the conductor in the orchestra, not the trainer in the circus."

--Abhijit Naskar, Neuroscientist and author

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added. Michael A. Poland, CFA® – Financial Advisor and Portfolio Manager. Mike is a Chartered Financial Analyst with a BA from Michigan State University and an MBA from the University of St. Thomas, in St. Paul, Minnesota. Mike has been in the financial service industry since 1989. Mike's prior experience was with PaineWebber, Merrill Lynch and Lehmann Financial. Mike is a member of the CFA Society of West Michigan, and has served on the boards of The Builders Exchange of Grand Rapids and West Michigan, Mona Shores Education Foundation, and the West Michigan Symphony Orchestra. Mike lives in Norton Shores with his wife and three children.

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