

Dear Fellow Investors,

Opportunity is everywhere. Have you ever wondered why some people tend to find it more frequently than others? The concept of what "opportunity" means to us is something I recently got to thinking about after speaking to a dear friend about an opportunity that had opened up for her. Her employer's business had been purchased and the new owner recognized my friend's skills and experience as an asset that would help the company. My friend was weighing the potential benefits of the employment offer with the risks, known and unknown, if she accepted.

After our conversation, I spent a little time thinking about the concept of "opportunity" since the word is often used in the investment industry. An image formed in my mind of a rickety rope bridge stretching across a great chasm. On the far side of the chasm is a pot of gold. For many the pot of gold would represent the opportunity, but from my perspective the rickety rope bridge with missing boards and a scary swing is a better example of opportunity. After nearly 35 years in the investment industry, I can look back on many great periods where investments soared in value, but I can't remember one of those good periods that were widely predicted. What I do remember is that the periods leading up to the good times were preceded by economic and social uncertainty.

Optimism grows as the investing public begins to recognize the pot of gold that might be out there, but that chasm is full of risk. Then the bridge comes into view as a method to get the gold. The uncertainty is obvious. The bridge over that deep and craggy divide provides no guarantee of success, but the potential is apparent. In the end some investors will have faith in that bridge of opportunity, others will not. From my experience, I know that many will want to wait until the bridge is replaced with a four-lane freeway. They want to know there is as little chance as possible that they will take a big fall. Their desire to reduce risk is understandable but insures that their arrival at the pot of gold may be so late that little gold remains.

My friend decided to cross that bridge. The results will be known in time. Likewise, some investors are apparently interested to invest and the stock market seems to be moving up, all be it slowly. Will we make it to the pot of gold? We won't know for some time, but the potential is there for those willing to accept the risk. So, let's talk about your investments and the opportunity that may be there for you.

Kindest Regards,

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# THE WOODSHED

News and Commentary  
From  
Woods Financial and Insurance Services

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## Stocks Rise and Fall As Investors Reassess Investments

According to Yahoo Finance, the **Dow Jones 30 Industrial Average** increased by 2.82% for the year ending July 31, 2018. Over the same period, bond values as reported by **Yahoo Finance, the Bond Index**, decreased about 3.27%. Increasing interest rates, which are common to an improving economy, seem to be the primary reason for the reduction in bond values. Since many portfolios use bonds to moderate volatility, decreasing bond values can produce disappointing investment returns. Sometimes in the past this scenario has caused investors to move from bonds to stocks. If you think that a move is in your future, we should talk about the realities of increasing the percentage of stocks.

## Finding The Pot of Gold

For many workers and retirees, investments are important to their future. IRA's, 401k's and other retirement plans often use mutual funds to provide a greater chance of growing wealth. In fact, the Investment Company Institute (ICI) stated that 45.4% of U.S. households own an average of 3 funds. Most of these retirement plans offer a choice between several funds, but how do you know which funds are the ones for you? According to an article by Forbes' Simon Constable dated May 16, 2018, "Spoilt Rotten: Are There Too Many Mutual Funds and ETF's?", there are 7,950 mutual funds and 2,143 ETF's. Woods Financial and Insurance Services (WFIS) has several methods to help you assess your investments. Even if the investments are not held at WFIS we can analyze them for you. So, for a limited period we will provide this service to our investors without an additional charge. Give us a call or email to request this service. We will guide you through the simple process and perhaps you will find that pot of gold for your investments.

## Bureau of Labor Statistics - Unemployment

Unemployment, as measured by the Bureau of Labor Statistics (BLS) U-3 report, improved from 4.3% to 3.9% in the last 12 months ending July 31, 2018. U-6 report also improved from 8.5% to 7.5% over the same period.

### **Bureau of Labor Statics – Participation Rate**

The “BLS” Participation Rate measures the percentage of those who could work versus those who are working. The Participation Rate has stopped the free-fall experienced during the previous administration. It will be a very positive sign for our economy if this statistic improves beyond the stable base it seems to have formed.



### **10-Year Federal Bond Yield Increase To Near 3 Percent**

The slow increase in 10-Year bond rates has been anticipated for years and now seems to be a real trend. Of course, the process of interest rates going up often causes bond values to go down. If your portfolio contains bonds, this process is something you will want to be aware of. Changes to your portfolio mix may be something you will want to consider.

### **Retail Sales Strengthen - Indication of Stronger Economy**

Recently, the CEO of Target stated the consumer environment is the strongest he has ever seen. This sentiment seems to be echoed by many retailers who are seeing dramatic increases in sales. The opinion of these retail leaders is not proof of an improving economy, but it is a positive indicator and may be a precursor of good times ahead. Only time will tell if the good news will become greater corporate profits and growth of our investments. Please give me a call if you want to discuss this optimistic perspective.

The opinions voiced in this material are for general information only and are not intended to provide specific advice or recommendations for any individual. All performance referenced is historical and is no guarantee of future results. All indices are unmanaged and may not be invested into directly. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price. Stock investing involves risk, including the risk of loss.