

Weekly Market Commentary September 3, 2019

The Markets

What, me worry?

About this time last year, *Time Magazine* reported on anxiety in America. Almost 40 percent of Americans reported being more anxious than they were the previous year.¹

The performance of stock and bond markets this summer may have pushed those numbers higher.

Last week finally brought some relief. It was the best week for major U.S. stock indices since June. The Standard & Poor's 500 Index, Dow Jones Industrial Average, and Nasdaq Composite all gained between 2 and 3 percent, reported Ben Levisohn of *Barron's*.²

How can investors cope if volatility continues?

Barron's Randall Forsyth offered a recommendation, "When the stock market is this crazy, you should just invest lazy." It is important to note that Forsyth's definition of 'managing lazy' is building a diversified portfolio aimed at achieving your financial goals and leaving it alone.³

Marketplace's Andie Corban and Kai Ryssdal offered a pretty good argument for lazy investing, too. In the audio report, Ryssdal discussed trading algorithms with Joe Gits of Social Market Analytics:⁴

"Gits: So these [algorithms] are reading the president's tweet using natural language processing [NLP], and our current president's tweets are pretty easy to read with NLP, and they are either going long or going short.

Ryssdal: I'm going to ask you to make a value judgment here, then. Entirely apart from making money, are these algorithms – and the outsized effect that they have on movement of the markets – are they a good thing or a bad thing?

Gits: I think they're a bad thing in general, because I think the volatility causes a lot of panic by buying and selling and I think the average investor gets hurt."

Staying calm in the face of volatility is not easy, but it is an important skill for investors to hone. If it helps, remember volatility can be computer-driven.

Data as of 8/30/19	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	2.8%	16.7%	0.9%	10.4%	7.9%	11.1%
Dow Jones Global ex-U.S.	1.0	4.7	-6.7	3.1	-0.8	2.5
10-year Treasury Note (Yield Only)	1.5	NA	2.9	1.6	2.4	3.4
Gold (per ounce)	1.6	19.3	27.7	5.1	3.5	4.8
Bloomberg Commodity Index	1.2	0.4	-7.9	-2.7	-9.3	-4.8

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; 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.

IMAGINE MONEY WITH AN EXPIRATION DATE. At the turn of the 19th century, some economists thought negative interest rates made sense, according to *The Economist*.⁵

In 1916, Silvio Gesell published *The Natural Economic Order*, a pamphlet promoting the idea of negative interest rates. A self-taught economist, Gesell lost faith in money after living through a financial crash in Argentina during the 1890s.^{5, 6}

Planet Money reported:⁶

“The problem, Gesell believed, was that money served two roles that often came into conflict: It was a way for people to store wealth, *and* it was the thing everybody needed to conduct business. The fact that money could store wealth meant its holders had a reason to cling to it, especially in crises like the one he saw in Argentina, when opportunities to safely put that money elsewhere looked grim. It was a typical story. When people got scared, they hoarded cash and brought business to a standstill.”

Gesell suggested a solution: negative interest rates on money. If money continuously lost value, people would not hoard it. They would, in fact, have an incentive to spend it.⁶

How do you make money lose value?

Gesell proposed a tax. Every year, money would expire and lose all value unless the money holder purchased a stamp. The stamp would not be free, reported *Financial Times*. There would be a fee for the stamp.⁷

For example, if a person held a \$100 bill and paid a \$1 fee after holding it for a year, the after-stamp value of the money would be \$99. After five years of paying fees, \$100 would be worth \$95.

Gesell believed people would, in effect, earn negative interest rates if they held onto money. As a result, they would be eager to spend, and that would keep the economy healthy, and possibly help prevent future depressions and improve prosperity.⁶

It is a thought-provoking theory that earned Gesell a number of nicknames, some flattering and some not.

Weekly Focus – Think About It

“The ultimate purpose of economics, of course, is to understand and promote the enhancement of well-being.”

--Ben Bernanke, Former Chair U.S. Federal Reserve⁸

From the Team of Advisors at J M Brown Financial Partners

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- * 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.
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 - * You cannot invest directly in an index.
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 - * To unsubscribe from the “Weekly Commentary” please reply to this e-mail with “unsubscribe” in the subject line.

Sources:

¹ <https://time.com/5269371/americans-anxiety-poll/>

² https://www.barrons.com/articles/stocks-rally-3-ending-a-bad-month-on-a-good-note-51567212639?mod=hp_DAY_3 (or go to [https://peakcontent.s3-us-west-2.amazonaws.com/+Peak+Commentary/09-03-19 Barrons-Stocks Rally 3 Percent Ending a Bad Month on a Good Note-Footer_2.pdf](https://peakcontent.s3-us-west-2.amazonaws.com/+Peak+Commentary/09-03-19_Barrons-Stocks_Rally_3_Percent_Ending_a_Bad_Month_on_a_Good_Note-Footer_2.pdf))

³ https://www.barrons.com/articles/when-the-stock-market-is-this-crazy-you-should-just-invest-lazy-51567213413?mod=hp_DAY_1 (or go to [https://peakcontent.s3-us-west-2.amazonaws.com/+Peak+Commentary/09-03-19 Barrons-When the Stock Market is This Crazy You Should Just Invest Lazy-Footer_3.pdf](https://peakcontent.s3-us-west-2.amazonaws.com/+Peak+Commentary/09-03-19_Barrons-When_the_Stock_Market_is_This_Crazy_You_Should_Just_Invest_Lazy-Footer_3.pdf))

⁴ <https://www.marketplace.org/2019/08/29/meet-the-algorithms-connecting-trump-tweets-and-the-stock-market/>

⁵ <https://www.npr.org/sections/money/2019/08/27/754323652/the-strange-unduly-neglected-prophet> (or go to [https://peakcontent.s3-us-west-2.amazonaws.com/+Peak+Commentary/09-03-19 NPR-Planet Money-The Strange Unduly Neglected Prophet-Footer_5.pdf](https://peakcontent.s3-us-west-2.amazonaws.com/+Peak+Commentary/09-03-19_NPR-Planet_Money-The_Strange_Unduly_Neglected_Prophet-Footer_5.pdf))

⁶ <https://www.economist.com/finance-and-economics/2018/02/03/why-sub-zero-interest-rates-are-neither-unfair-nor-unnatural> (or go to [https://peakcontent.s3-us-west-2.amazonaws.com/+Peak+Commentary/09-03-19 TheEconomist-Why Sub-Zero Interest Rates are Neither Unfair Nor Unnatural-Footer_6.pdf](https://peakcontent.s3-us-west-2.amazonaws.com/+Peak+Commentary/09-03-19_TheEconomist-Why_Sub-Zero_Interest_Rates_are_Neither_Unfair_Nor_Unnatural-Footer_6.pdf))

⁷ <http://ftalphaville.ft.com/2015/02/02/2103032/negative-rates-and-gesell-taxes-how-low-are-we-talking-here/> (or go to [https://peakcontent.s3-us-west-2.amazonaws.com/+Peak+Commentary/09-03-19 FinancialTimes-Negative Rates and Gesell Taxes-How Low are We Talking Here-Footer_7.pdf](https://peakcontent.s3-us-west-2.amazonaws.com/+Peak+Commentary/09-03-19_FinancialTimes-Negative_Rates_and_Gesell_Taxes-How_Low_are_We_Talking_Here-Footer_7.pdf))

⁸ https://www.brainyquote.com/quotes/ben_bernanke_704771

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