



EVERETT FINANCIAL GROUP

Weekly Commentary

February 10, 2020



Live and Let Spy

William Donovan is famous as the founder of the OSS, the World War II spy agency that was the forerunner of the CIA. When Donovan was setting up the agency, he consulted with a trusted friend, a British naval officer who was the assistant to the head of British Naval Intelligence.

The officer was eager to help Donovan. Furthermore, he was a man of great imagination, with a keen eye for detail. He stayed in a spare bedroom at Donovan's house in Washington, D.C., and drafted several detailed memos advising Donovan how to organize an American intelligence agency. Donovan went to work, and the rest is history.

The British officer was Commander Ian Lancaster Fleming. After the war he moved to Jamaica, where he drew upon his wartime experiences (and fantasies) to write a series of novels about an espionage agent who knew no equal, and who, like Fleming himself, was a bit of a lady's man. So it is that the man who had a hand in creating the CIA also created the world's most famous *fictional* spy.

The name is Bond. James Bond.

Donovan clearly valued Fleming's contributions. He presented Fleming with a .38 caliber police revolver, engraved with the words "For Special Services." It became one of his prized possessions.

When Fleming saw a bird-watching book written by an ornithologist named James Bond, he knew it was the perfect name for his spy: "brief, unromantic, yet very masculine." Later, when the ornithologist's wife, Mary, jokingly threatened to sue Fleming, he wrote back: "I can only offer your James Bond unlimited use of the name Ian Fleming for any purpose he may think fit."

The Greatest Stories Never Told

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The Markets

Last week, major U.S. indices posted strong gains. That's welcome news, but the drivers behind share price appreciation appear to have little to do with company fundamentals.

Fourth quarter earnings season is underway. During earnings season, companies let investors know how profitable they were during the previous quarter. With 45 percent of companies in the Standard & Poor's 500 (S&P 500) Index reporting, earnings are slightly down. If the trend continues, this will be the fourth consecutive quarter of year-over-year earnings declines, according to *FactSet*.

Falling company profits, in tandem with rising share prices, have made U.S. stocks relatively expensive. The price-to-earnings ratio of the S&P 500 Index was 25.04 on Friday. That's significantly higher than its long-term average of 15.78.

Expectations for economic growth may have been behind last week's gains. *Axios* reported, "U.S. economic data had been strengthening ahead of the [coronavirus] outbreak - last month the all-important services sector notched its best reading since September, a private payrolls survey showed the highest job growth in five years, and consumer confidence held at historically high levels."

The Economist Intelligence Unit (EIU) estimates U.S. economic growth will be 1.7 percent in 2020, although the coronavirus could create issues that slow growth.

Economic growth also could be inhibited by the national debt. The *Federal Reserve Bank of St. Louis* showed U.S. debt at about 105 percent of gross domestic product (GDP) at the end of the third quarter of 2019 (GDP is the value of all goods and services produced by the United States). According to the *Council on Foreign Relations*, high levels of debt can slow economic growth and divert investment from infrastructure, education, and research.

Ben Levisohn of *Barron's* suggested last week's gains might have been the result of limited supply and high demand for U.S. stocks, "...because the world's problems might actually make U.S. markets more attractive." Stock market gains may also owe something to supportive central bank policies.

During the next few weeks, stay calm and expect some volatility.

Data as of 2/7/20	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	3.2%	3.0%	23.0%	13.2%	10.2%	12.2%
Dow Jones Global ex-U.S.	1.9	-0.9	9.8	5.6	2.8	3.5
10-year Treasury Note (Yield Only)	1.6	NA	2.7	2.4	2.0	3.6
Gold (per ounce)	-0.7	3.3	20.1	8.5	4.9	4.0
Bloomberg Commodity Index	-0.1	-7.6	-6.6	-5.2	-6.3	-5.2

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.

DO YOU KNOW A FINANCIAL TWO-TIMER? In an online poll conducted by *YouGov*, *CreditCards.com* asked people how open and honest they are with their spouses and partners about money. The survey discovered financial infidelity is not uncommon. Respondents cheat financially in a variety of ways, including:

- 34 percent have spent more than their spouse/partner would approve
- 12 percent have secret debt
- 10 percent have secret credit card accounts
- 9 percent have secret savings accounts
- 8 percent have secret checking accounts

Respondents had a variety of reasons for secretive financial dealings:

- 36 percent said privacy and control were important
- 27 percent said they never felt the need to share
- 26 percent were embarrassed by the way they handle money (frequently cited by wealthiest respondents.)

Janice Wood of *PsychCentral* wrote, "Financial infidelity can take as big a toll on relationships as sexual infidelity and emotional dishonesty...A few things that couples can do to prevent financial infidelity is to talk more, get on the same page regarding both joint and individual goals they might have, and also budget for some occasional indulgences along the way of achieving their long-term financial goals..."

If you're looking for a great Valentine's Day gift, talking with your spouse or partner about money is a choice that could deliver long-term rewards.

Weekly Focus - Think About It

"It is better to be hated for what you are than to be loved for what you are not."

--*Andre Gide, Author and Nobel Prize winner*

Best Regards,

Brian Everett
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The highest compliment you can give us is the referral of your family and friends. Your referrals are always welcome. Refer someone to us today and give them the gift of a complimentary consultation!

Sources:

https://www.barrons.com/articles/dow-jones-industrial-average-gains-846-points-in-comeback-week-51581124626?mod=hp_DAY_3 (or go to https://peakcontent.s3-us-west-2.amazonaws.com/+Peak+Commentary/02-10-20_Barrons-Coronavirus-Slower_Growth-The_Dow_Just_Had_A_Spectacular_Week-Footnote_1.pdf)
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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely

payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

* 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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