
Markets Turn Jittery

Weekly Update – August 14, 2017

Last week, rising tension between North Korea and the U.S. rattled the world's markets. As the two countries traded tough words, concerns escalated and markets reacted emotionally to the news.¹ Though stress is building internationally, we remain committed to focusing on the market fundamentals that drive long-term value.

In the coming days, we will publish a white paper outlining the details of how markets have reacted to other significant geopolitical events. History shows that markets can fall in the wake of alarming news but do recover, given time.² We encourage you to stay tuned for the white paper and talk to us if you have questions or concerns.

Amidst the pressure last week, volatility returned to markets—and all three major U.S. market indexes turned south.³ The Dow dropped 1.06%, the S&P 500 fell 1.43%, and the NASDAQ declined 1.50%.⁴ Global markets also reacted as the MSCI EAFE lost 1.59% for the week.⁵

Though international developments dominated headlines, economic news important to markets and investors continued to roll out. The data reflects a solid economy, but some possible headwinds are on the horizon. Here are the highlights:

- **Impressive Corporate Earnings:** Q2 corporate earnings reports both domestically and internationally were impressive. Reported corporate earnings in the U.S. increased an average of over 10% for the second quarter in a row—their first time doing so since 2011.⁶
- **Low Inflation:** The consumer price index, which measures changes to the average price of specific goods and services, rose only 0.1% in July.⁷ Expectations for a 0.2% increase failed to materialize as housing and travel costs, wireless services, and auto sales all slumped in July.⁸ At 1.7%, year-over-year inflation remains below the Federal Reserve's targeted 2% growth rate. Continued low inflation may cause the Fed to rethink its plans to raise interest rates.⁹
- **Rising Demand for Labor:** Labor markets continue to be a key economic driver as evidenced by sharply rising job openings. June's job openings jumped to 6.2 million from 5.7 million in May.¹⁰ Year-over-year, job openings climbed an impressive 11.3%.¹¹ Moreover, jobless claims remain at historic lows.¹²
- **High U.S. Household Debt:** The current outstanding consumer debt of \$12.7 trillion is now higher than the previous record reached in 2008. This debt load could wind up being a drag on consumer spending and the economy as a whole.¹³

What Is Ahead

Tense geopolitical headlines may continue, but there will be plenty of market news, too. Retail, manufacturing, and housing data will come out this week, and Friday's August consumer sentiment numbers will be of interest.¹⁴ Though the markets may move with emotions, economic fundamentals should continue to be the base for long-term value.

No matter what questions you may have, we always welcome you to reach out and contact us. We are here to help.

ECONOMIC CALENDAR

Tuesday: Retail Sales, Import and Export Prices, Housing Market Index, Business Inventories

Wednesday: Housing Starts

Thursday: Jobless Claims, Industrial Production

Friday: Consumer Sentiment

PERFORMANCE

DATA AS OF 8/11/2017	1 WEEK	SINCE 1/1/17	1 YEAR	5 YEAR	10 YEAR
STANDARD & POOR'S 500	-1.43%	9.04%	11.69%	11.67%	5.32%
DOW	-1.06%	10.60%	17.43%	10.60%	5.14%
NASDAQ	-1.50%	16.23%	19.66%	15.68%	9.41%
INTERNATIONAL	-1.59%	13.82%	12.19%	5.39%	-1.06%
DATA AS OF 8/11/2017	1 MONTH	6 MONTHS	1 YEAR	5 YEAR	10 YEAR
TREASURY YIELDS (CMT)	0.99%	1.14%	1.21%	1.74%	2.19%

Notes: All index returns (except S&P 500) exclude reinvested dividends, and the 5-year and 10-year returns are annualized. The total returns for the S&P 500 assume reinvestment of dividends on the last day of the month. This may account for differences between the index returns published on Morningstar.com and the index returns published elsewhere. International performance is represented by the MSCI EAFE Index. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

QUOTE OF THE WEEK



"Life shrinks or expands in proportion to one's courage."

– Anais Nin

RECIPE OF THE WEEK



Cheddar-Chive Biscuits



Yields 30 biscuits

Ingredients:

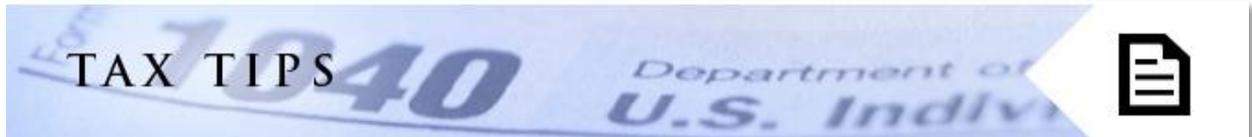
6 cups all-purpose flour
¼ cup baking powder
¾ tsp salt
8 oz white cheddar cheese, grated
⅓ cup sliced chives (or green onions)
1½ cup cold salted butter, cut into small pieces, plus more for brushing
2½ cups buttermilk

Directions:

1. Preheat oven to 425° F.
2. Combine flour, baking powder, salt, cheese, and chives in a food processor. Pulse until everything is mixed together. Add butter and pulse until mostly incorporated but with a few remaining chunks of butter. Pour in buttermilk while pulsing, stopping just when the dough comes together. (Add a little more buttermilk if dough is overly dry.)

3. Drop dough onto a baking sheet in ¼ cup portions (bigger if you'd like) and bake for 12-15 minutes, or until golden brown.
4. Brush with melted butter and sprinkle with more chives.
5. If you do not have a food processor, cut together the dry ingredients with the butter, then stir in the other ingredients.

Recipe adapted from Pioneer Woman¹⁵



Tips to Keep in Mind for Taxpayers Traveling for Charity

During the summer, some taxpayers may travel because of their involvement with a qualified charity. These traveling taxpayers may be able to lower their taxes. Here are some tax tips for taxpayers to use when deducting charity-related travel expenses:

Qualified Charities. For a taxpayer to deduct costs, they must volunteer for a qualified charity.

Out-of-Pocket Expenses. A taxpayer may be able to deduct some of their costs including travel. These out-of-pocket expenses must be necessary while the taxpayer is away from home.

Genuine and Substantial Duty. The charity work the taxpayer is involved with must be real and substantial throughout the trip. The taxpayer can't deduct expenses if they only have nominal duties or do not have any duties for significant parts of the trip.

Value of Time or Service. A taxpayer can't deduct the value of their time or services that they give to charity. This includes income lost while the taxpayer serves as an unpaid volunteer for a qualified charity.

Other details may apply, and you can find more information on the [IRS website](#).

* This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Tip courtesy of IRS.gov¹⁶



Unleash Your Inner Lag

Just what is “lag,” anyway? Lag comes from proper sequencing on the downswing, not from trying to artificially hold onto the angle. Proper force generation and sequencing comes from the ground up and winds “out” into the club. Try the following drill to see if you can get the feel for the proper downswing sequence.

1. Set up to the ground, no ball, with a 6 or 7-iron. Bend both arms and place the shaft on the outer part of your right upper arm. You may have to let go slightly with your right hand.
2. Turn your shoulders 90 degrees as if you had made a backswing, but keep the club shaft against your right arm.
3. Make your downswing and see how long you can keep the shaft touching your right arm—at least until your hands get even with your right leg.

Feel the delayed release and then whipping of the clubhead through impact. You should feel your forearms and club turn over naturally.

Result: Delaying the club release through proper sequencing will help you maximize your distance.

Tip courtesy of Stan Moore | Golf Tips Magazine¹⁷



Physical Activity for a Healthy Weight

Regular physical activity is important for good health, and it's especially important if you're trying to lose weight or to maintain a healthy weight, which can reduce high blood pressure, reduce risk for type 2 diabetes, heart attack, stroke, and several forms of cancer. It also can reduce risk for osteoporosis and falls, as well as reduce symptoms of depression and anxiety.

Always consult your own physician before starting any exercise regimen, but the Centers for Disease Control says that strong scientific evidence shows physical activity can help you maintain your weight over time. However, the exact amount of physical activity needed to do this is not clear since it varies greatly from person to person. Talk with your doctor about what is right for you.

Find more information on the [CDC website](#).

Tips courtesy of CDC¹⁸



Benefits of Reducing Wasted Food

We may not realize how much food we throw away every day—from spoiled produce and expired meat to uneaten leftovers. In 2014, we threw out 38 million tons of food waste. About 95% of the food we throw away winds up in landfills or combustion facilities. Managing food sustainability and reducing waste can help businesses and consumers save money, as well as provide for those who do not have enough to eat, and conserve resources for future generations. Here are other ways reducing wasted food contributes to greener living:

- Saves money from buying less food.
- Reduces methane emissions from landfills and lowers our carbon footprint.
- Conserves energy and resources, preventing pollution involved in the growing, manufacturing, transporting, and selling of food.
- Supports your community by providing donated, untouched food that would have otherwise gone to waste to those who might not have a steady food supply.

For more tips on reducing food waste, visit the [EPA website](#).

Tips courtesy of the U.S. Environmental Protection Agency¹⁹

Share the Wealth of Knowledge!

Please share this market update with family, friends, or colleagues. If you would like us to add them to our list, you can have them check out our Web-site (www.thebacagroup.com) or let me know and I will add them to our list. We love being introduced!

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

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 Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia, and Southeast Asia.

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.

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.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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¹ <https://www.cnbc.com/2017/08/11/stocks-rise-for-the-first-time-4-days-after-tame-inflation-data.html>

² https://www.cnbc.com/2017/08/09/as-north-korean-tensions-simmer-heres-how-stocks-reacted-to-past-crises.html?__source=newsletter%7Ceveningbrief

³ <https://www.cnbc.com/2017/08/11/stocks-rise-for-the-first-time-4-days-after-tame-inflation-data.html>

⁴ <http://performance.morningstar.com/Performance/index-c/performance-return.action?t=%21DJI®ion=usa&culture=en-US>

<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=SPX®ion=usa&culture=en-US>

<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=@CCO>

⁵ <https://www.msci.com/end-of-day-data-search>

⁶ <https://www.cnbc.com/2017/08/11/stocks-rise-for-the-first-time-4-days-after-tame-inflation-data.html>

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- ⁷ <http://wsj-us.econoday.com/byshoweventfull.asp?fid=477397&cust=wsj-us&wiconly=1&lid=0#top>
- ⁸ <http://wsj-us.econoday.com/byshoweventfull.asp?fid=477397&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>
- ⁹ <https://www.cnbc.com/2017/08/11/markets-to-fed-theres-little-chance-of-another-rate-hike-this-year.html>
- ¹⁰ <http://wsj-us.econoday.com/byshoweventfull.asp?fid=478572&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>
- ¹¹ <http://wsj-us.econoday.com/byshoweventarticle.asp?fid=482600&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>
- ¹² <http://wsj-us.econoday.com/byshoweventfull.asp?fid=477458&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>
- ¹³ <https://www.bloomberg.com/news/articles/2017-08-10/in-debt-we-trust-for-u-s-consumers-with-12-7-trillion-burden>
- ¹⁴ <http://wsj-us.econoday.com/byshoweventarticle.asp?fid=482600&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>
- ¹⁵ <http://thepioneerwoman.com/cooking/cheddar-chive-drop-biscuits/>
- ¹⁶ <https://www.irs.gov/uac/newsroom/tips-to-keep-in-mind-for-taxpayers-traveling-for-charity>
- ¹⁷ <https://www.golftipsmag.com/instruction/iron-play/unleash-inner-lag/>
- ¹⁸ https://www.cdc.gov/healthyweight/physical_activity/index.html
- ¹⁹ <https://www.epa.gov/recycle/reducing-wasted-food-home#ways>