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KUMMER FINANCIAL STRATEGIES, INC.

Helping You Create Financial Independence

January 5th, 2018

Weekly Market Update

The first week in the new year brought more new highs in equity markets both in the US and abroad. The S&P 500 Index rose 2.6%, the Dow Jones Industrial Average gained 2.3%, the Nasdaq Composite added 3.4%, and the Russell 2000 Index of small-cap stocks finished the week 1.6% higher. Meanwhile, a proxy for developed international markets, the iShares MSCI EAFE exchange-traded fund, finished the week 2.6% higher. A proxy for emerging markets, the iShares MSCI Emerging Markets exchange-traded fund, gained 4.0% on the week.

The yield on the 10-year U.S. Treasury rose 7 basis points to 2.48% while the 2-year U.S. Treasury yield was up 7 basis points to 1.96%. Oil prices rose 2.45%, while gold added 1.19%. The S&P GSCI, which measures the returns on a basket of commodities, was up 0.3%. With the 'bomb cyclone' storm dousing the east coast in snow, natural gas demand in the northeast has risen 60x in the last week.

In economic news, we saw PMI data (PMI Manufacturing Index, US Non-Manufacturing PMI, and the PMI Service Index) fall in line with expectations this week. They were all positive readings, meaning that there were more businesses expanding than shrinking, and many believe that the first quarter in 2018 will be even better than the last quarter of 2017. Construction spending has also increased over the last month by 0.8%, which beats forecasted expectations of 0.6% growth. Strength in the market was also confirmed by solid hiring pressures, increased hourly earnings, and business confidence. Unemployment remains at 4.1%, a 17 year low, and a hint of wage inflation showed up in the December employment report.

The FOMC came out with a report on Wednesday giving us little new information. They outlined that most of the members want to see gradual rate hikes, given economic conditions remain favorable. There was talk of exploring new options in reaching their ever so elusive 2% inflation target. They also have concern that other measures taken to reach their inflation target could impact other aspects of the economy. Despite the relatively modest inflation readings, the Federal Reserve plans to continue with their tightening program. The FOMC restated that easing financial conditions, the most positive seen since 2000, remains slightly concerning from an asset bubble perspective.

While we remain concerned about elevated valuations across asset classes and recognize the potential for a near-term pullback in equity prices, the economic and fundamental environment remains favorable for greater exposure to risk assets in our view. As a result, we continue to favor stocks over bonds and have a tilt towards international equities in our dynamic positioning. We think this is consistent with our macroeconomic outlook and assessment of the overall environment.

Regardless of the market's near-term direction, it is important to remember that setting the appropriate strategic asset allocation for your circumstances and risk preferences are important steps to executing your financial plan. If you would like to discuss your asset allocation, time horizon, or risk tolerance please contact us at 303-470-1209 and we would be happy to address your concerns. We are here to assist you, your friends, family or in any way we can.

Disclosures:

- Kummer Financial Strategies, Inc. is an independently registered investment advisor.

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- Investors should be aware of risk when investing, including potential loss of principal.
- Past performance is not a guarantee of future results. Rebalancing, asset allocation or alternative strategies may or may not produce positive results. Thank you.

Performance, economic, and market statistics were provided by Yahoo Finance and Ned Davis Research.

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