

PLANNING POINTS...

June 2017

	<u>06/30/2017</u>	<u>2017 2nd Quarter Change</u>
S&P 500 *	2423.41	+ 2.57%
Russell 2000 **	1415.36	+ 2.12%
Barclays Capital Aggr. Bond Composite Index***		+ .98%

*The S&P 500 is an unmanaged index of the largest 500 companies weighted by capitalization.
**The Russell 2000 index is comprised of the smallest 2000 companies of the Russell 3000 Index which measures the performance of the largest 3000 U.S. companies based on total market capitalization. The Russell 3000 represents approximately 98% of the investable U.S. equity market. Past performance may not be indicative of future results.
*** Barclays Capital Aggregate Bond Composite index is a measure of the investment grade, fixed-rate, taxable bond market of roughly 6,000 SEC-registered securities with intermediate maturities averaging approximately 10 years. The index bonds from the Treasury, Government-Related, Corporate, MBS, ABS, and CMBS sectors
****MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the United States & Canada
The Dow Jones Industrial Average is an index covering 30 Major NYSE industrial companies.
Inclusion of these indexes is for illustrative purposes only. Keep in mind that individuals cannot invest directly in any index, and index performance does not include transaction costs or other fees, which will affect actual investment performance. Individual investor's results will vary.

STOCK MARKET REVIEW

It was another good quarter for stocks. The S&P 500 gained 2.57%, the Russell 2000 Index rose 2.12%, and international stocks outperformed again with the MSCI EAFE Index rising 5.03%. For the year, the S&P 500 is up 8.24%, the Russell 2000 up 5.12%, and the MSCI EAFE is up a whopping 13.84%

Stocks traded in a very narrow range during the second quarter and there was a distinct lack of volatility. This lack of volatility has been quite unusual and has persisted for several quarters. The response of the market to negative news has been muted and an upward bias for the market persists. There has also been a fair amount of rotation between sectors in the market, another healthy sign for stocks.

Political news dominated the quarter and the enthusiasm about tax reform, infrastructure spending, healthcare changes, and regulatory easing has waned. In spite of disappointment in the inability of congress to act on legislation, and reports of some weakness in the economy, consumer confidence was recently reported at the highest level in 16 years. Perhaps there is still hope for stimulus that can translate into future economic growth. As we all know, the stock market is forward looking and hopefully the recent record highs are predicting improvement in the economy and corporate profits down the road.

We mentioned the strength in international markets this year and we discuss these markets on page 2,

but there has been other areas of strength in the market. U.S. growth stocks have significantly outperformed value stocks so far this year. The average growth stock has outperformed value stocks by about 10% so far in 2017. Technology stocks have been especially strong, while oil stocks were very weak. Crude prices have plunged as reflected in lower prices at the pump.

A good sign for the equity markets is a lack of speculative enthusiasm or as Allen Greenspan once said "irrational exuberance". Obviously with an impressive run, stocks are always subject to corrections and there could easily be a setback in the range of 10-20%. The key question we need to ask ourselves is "how we will react to a correction?" Panic in the midst of a falling market is not a strategy.

BOND MARKET REVIEW

Interest rates slipped in the second quarter. The ten-year U.S. Treasury bond rate fell to 2.30%.

The Federal Reserve increased rates again during the quarter and promised there will likely be more increases to come. The key to their decisions will be watching for an increase in economic growth and inflation.

We advise to maintain a cautious stance on bonds and focus on short to intermediate maturities.

PLANNING STRATEGIES

INTERNATIONAL INVESTING

What do the following countries have in common: Mexico, France, India, Germany, South Korea, Japan, China, South Africa, Taiwan, and the UK? The answer is their stock markets have all outperformed the US stock market so far this year. This is a sharp contrast to the last four years in a row of underperformance by international stocks. In fact, international stocks have significantly underperformed domestic stocks for the last ten years.

Why invest in international stocks if in fact they have underperformed for some time now? Overseas economies represent the largest share of world market capitalization and their economies, currencies and interest rates often move in different directions than the United States. Investing internationally helps to diversify a portfolio, may help moderate risk and potentially increase return. Historically, periods of underperformance by international equities have been followed by periods of outperformance. It is an excellent time to be sure your portfolio has the appropriate mix of international securities.

International investments do have some tradeoffs. There can be additional geopolitical risk, currency fluctuations, liquidity and market risks, and often higher expenses.

If you would like to discuss international investing and how your portfolio may take advantage of potential in this sector, please give us a call.

COMPUTER SECURITY

As many of you already know, it is a scary cyber world out there. We have experienced a significant increase in the number of clients calling to say that their computer has been compromised. We are sure most of us think "it will never happen to me", but unfortunately it happens all too often, it is not fun and can be very expensive.

Here are a few tips to protect yourself from cyber hackers:

1. **Have strong passwords.** Amazingly, the most common used password is 123456. Hackers have

sophisticated hacking software and it is very easy to access simple passwords. Strong passwords should be at least eight characters using upper and lower case, symbols, and numbers. Avoid common words, your name or address. Change your passwords frequently and consider a password management program.

2. **Run frequent updates to your operating system.** Most computers will allow you to set automatic updates and all you need to do is turn it on. Also, having a firewall can protect your computer from external attacks.
3. **Install anti-virus software** and be sure it always active. Update this software if needed and run security scans often.
4. **Be careful with emails.** Malware, spyware, viruses and other malicious software is often contained in emails. Do not open suspicious email attachments. If in doubt of an email attachment from a friend, call them to confirm the legitimacy of the attachment or simply delete it.
5. **Always use secure Wi-Fi connections.** Your home Wi-Fi should be password protected and be wary of public Wi-Fi locations.
6. **Back up you data!** When was the last time you backed up your computer? If you do get hacked, you will regret not having backups.

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