Weekly Market Commentary
August 28, 2017

The Markets

Hope floats.

Optimism about possible pro-growth economic policies, including tax reform and deregulation, helped U.S. stock indices finish higher last week, reported *Barron's*. It wasn't all smooth sailing, though. Stocks bobbed up and down as investors' optimism was weighted by concerns about a possible debt-ceiling battle and government shutdown.

CNN offered some insight to the historic economic impact of government shutdowns on productivity:

> "The last time the government was forced to close up shop – for 16 days in late 2013 – it cost taxpayers $2 billion in lost productivity, according to the Office of Management and Budget. Two earlier ones – in late 1995 and early 1996 – cost the country $1.4 billion."

For investors, it's important to distinguish between a shutdown's potential effect on the U.S. economy and its possible impact on U.S. stock markets. A source cited by *The New York Times* reported:

> "…during all 18 government shutdowns, starting in 1976…the Standard & Poor's 500-stock index averaged just a 0.6 percent loss over the course of those closures. Early on in shutdown history, investors reacted very negatively. Closures in 1976 and 1977 coincided with 3 percent declines in the [S&P 500].
>
> As investors grew more accustomed to shutdowns, they seemed to become more blasé about them. During the mid-1990s and the 2013 closure, for instance, stocks actually rose. They gained 3.1 percent during the 2013 stoppage."

Bond investors were relatively calm last week, according to *Financial Times*. Although, there were signs of "debt ceiling jitters." Yields on U.S. Treasuries that mature in October (when a shutdown may occur) rose on concerns investors might not be repaid in a timely way.

No matter what happens in September and October, keep your eyes on the horizon and your long-term goals.

Data as of 8/25/17	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.7%	9.1%	12.5%	6.9%	11.6%	5.2%
Dow Jones Global ex-U.S.	1.0	16.6	14.7	0.4	5.1	-0.4
10-year Treasury Note (Yield Only)	2.2	NA	1.6	2.4	1.7	4.6
Gold (per ounce)	-0.8	10.9	-2.7	0.0	-5.1	6.8
Bloomberg Commodity Index	0.1	-4.8	-2.1	-12.8	-10.5	-6.6
DJ Equity All REIT Total Return Index	2.1	6.3	1.3	8.5	9.9	6.8

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; the DJ Equity All REIT Total Return Index does include reinvested dividends 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, Barron's, 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.

MILLENNIALS ARE KILLING IT! A recent article in *Buzzfeed* listed headlines announcing the various things Millennials have "killed" or are "killing." The list included Big Oil, the NFL, the workday, the cereal industry, and bar soap.

Here's another industry that is being undermined by millennials' preferences: cable and satellite television. Millennials are leading a viewing revolution. They are unwilling to ante up for cable and satellite subscriptions, preferring less expensive Internet and streaming services that provide content via the World Wide Web.

A 2017 survey from *Videology* found more than half of millennial men (ages 18 to 34) have stopped paying for cable, and *Forbes* reported:

> "…on average, the 30-and-under crowd's primary means of consuming content is through mobile devices, streaming, and online. That's in sharp contrast to the over-30 crowd who still rely on television for an average of more than 80 percent of their film and TV show viewing."

The waning popularity of cable and satellite TV appears to have a lot to do with cost. The typical household paid more than $1,200 a year, on average, for cable and satellite television in 2016, according to *Nerdwallet* – and the cost increased in 2017. *Consumer Reports* wrote, "Most pay TV companies have announced modest price hikes, but there are also new hidden fees."

Budget-minded millennials may be having an influence on older generations whose preferences appear to be changing, too. *GfK*, a market research company, reported:

> "New findings…show that U.S. TV households are embracing alternatives to cable and satellite reception. Levels of broadcast-only reception [a.k.a. antenna reception] and Internet-only video subscriptions have both risen over the past year, with fully one-quarter (25 percent) of all U.S. TV households now going without cable and satellite reception."

So, what kind of savings can be generated when you cut the cable? It all depends on what you currently pay, but it may be worth crunching the numbers.

Weekly Focus – Think About It

"I find television very educating. Every time somebody turns on the set, I go into the other room and read a book."

--Groucho Marx, American comedian

Best regards,

James E. Tyrrell II, CFP®, ChFC

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this email with their email address and we will ask for their permission to be added.

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* 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 indices 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.
* 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.
* Consult your financial professional before making any investment decision.
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