

AMJ Financial Wealth Management

Weekly Market Commentary

May 29, 2018

The Markets

Geopolitical uncertainty didn't dent U.S. stocks last week.

Geopolitics is the intersection of geography, economics, and politics. Last week, there were some fine examples of the ways geopolitical events can create uncertainty. *Barron's* reported:

“President Donald Trump began the week suggesting that a trade war with China was on hold, before later ordering his administration to explore penalties on imported automobiles. The president also canceled talks with North Korea. Italy's bond market melted down following the emergence of a Euroskeptic government, while Turkey's lira tumbled over concerns that President Tayyip Erdogan would take control of its central bank, raising concerns about emerging markets.”

Uncertainty caused major indices across Europe to finish lower last week. A majority of Asian-Pacific indices moved south, too, as did Canadian and Mexican indices. Despite pessimism elsewhere, investors in the United States remained unfazed and major U.S. stock market indices finished the week higher. The Standard & Poor's (S&P) 500 Index was up 0.3 percent.

The strong performance of U.S. markets last week was remarkable because the S&P 500 moved higher on news that would seem to inspire uncertainty. It was also remarkable because U.S. stocks gained less when S&P 500 companies reported first quarter profits were better than expected.

First quarter's earnings season – when companies report how profitable they were during the first quarter – is almost over. A majority of S&P 500 companies did better than expected, according to *FactSet*. However, companies with stronger than expected earnings saw share prices increase 0.2 percent on average, less than share prices increased last week.

During the past five years, companies with higher-than-expected profits have realized share price gains of 1.1 percent.

Data as of 5/25/18	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.3%	1.8%	12.7%	9.0%	10.4%	7.0%
Dow Jones Global ex-U.S.	-1.1	-1.6	8.9	2.5	3.5	0.0
10-year Treasury Note (Yield Only)	2.9	NA	2.3	2.1	2.1	3.9
Gold (per ounce)	1.2	0.5	3.7	3.2	-1.1	3.7
Bloomberg Commodity Index	0.6	3.1	8.6	-4.0	-7.2	-8.3
DJ Equity All REIT Total Return Index	2.4	-4.3	0.1	5.7	6.3	6.5

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.

WORKING OUT THE BUGS. There was a lot of news about new inventions last week. Some devices appear to have potential while others have been delivering unexpected results. Take a look at recent innovation news:

- **Droning on.** Remember the vehicles Galactic storm troopers rode into battle against the Ewoks in Star Wars? They're now available on Earth. Hover bikes look a lot like a super-sized drone that can carry a person. They can travel up to 13 miles or 20 minutes, at speeds up to 43 miles an hour, before recharging is needed.
- **Shhh. It's listening.** Smart speakers made the news last week after it was widely reported that one had recorded a family's conversation and sent it to someone on their contact list. A writer for *MIT Technology Review* investigated further, checking her smart speaker history. She found:

“...in the past several months it has also tuned in, frequently several times a day, for no obvious reason. It's heard me complain to my dad about something work-related, chide my toddler about eating dinner, and talk to my husband – the kinds of normal, everyday things you say at home when you think no one else is listening.”

- **Diagnosed by math.** There's a new algorithm in town. The U.S. Food and Drug Administration (FDA) just gave the thumbs-up to artificial intelligence that helps surgeons detect wrist fractures, reported *MIT Technology Review*. In fact, the FDA is “writing new rules to speed up approvals for AI-based devices and tools.”
- **Folding wingtips.** It seems like poor design, but some planes' wingspans are too wide for standard airport gates. Instead of asking airports to build special gates, the Federal Aviation Administration approved folding wingtips on Friday.

We know change is constant. Adapting to change is the challenge.

Weekly Focus – Think About It

“Our flag does not fly because the wind moves it. It flies with the last breath of each soldier who died protecting it.”

--Unknown

Best regards,

Angela M. Bender

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 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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- * You cannot invest directly in an index.
- * Stock investing involves risk including loss of principal.
- * Consult your financial professional before making any investment decision.

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