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KWB & Associates, Inc.
Wealth Managers Group

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WEEKLY COMMENTARY
May 30, 2017

The Markets

Is preparing for the future more important than enjoying the present?

There is a lot to enjoy today. Last week, *Financial Times* wrote:

> "Wall Street ended an impressive week on a steady note – eking out a tiny gain to a fresh record close – as oil prices recouped some of the previous day's steep losses and the latest U.S. Gross Domestic Product data reinforced expectations for a June rate rise."

In fact, U.S. equities have been performing well for some time. The Standard & Poor's (S&P) 500 Index achieved new highs 18 times during 2016 and, so far in 2017, we've scored 20 closing highs, including three last week.

While it's important to enjoy current gains in U.S. stock markets, it's equally important to prepare for the future. Bull markets don't continue forever. They often experience corrections. A correction during a bull market is a 10 percent decline in the value of a stock, bond, or another investment. Often, corrections are temporary adjustments followed by additional market gains, but they can be a signal a bear market or recession is ahead.

One investment professional cited by *CNBC* believes a correction may occur soon. "Gundlach expects the 10-year Treasury yield to move higher, and a summer interest rate rise should 'go along with a correction in the stock market.'"

Barron's cautioned strong employment numbers also may signal a downturn is ahead:

> "Think about it: Jobs are a classic lagging indicator, and bouts of high unemployment and economic distress are often accompanied by falling stocks. By the time the economy improves enough to enjoy full employment, share prices will reflect that rosier outlook. That's not to say stocks can't do well following periods of full employment… Unemployment was 2.5 percent in 1953, and yet the market delivered big gains over the next seven years. But stocks happened to be very cheap in 1953, with a cyclically adjusted price-to-earnings ratio of just 11.6 times… That valuation is now pushing 29 times."

There is no way to know when a correction or market downturn may occur, but if history proves out, one is likely at some point in the future.

Data as of 5/26/17	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.4%	7.9%	15.6%	8.1%	12.6%	4.8%
Dow Jones Global ex-U.S.	0.7	12.6	15.4	-0.6	5.8	-1.0
10-year Treasury Note (Yield Only)	2.3	NA	1.8	2.5	1.7	4.9
Gold (per ounce)	1.0	9.1	3.4	-0.3	-4.3	6.7
Bloomberg Commodity Index	-0.8	-4.0	1.6	-14.6	-8.5	-6.8
DJ Equity All REIT Total Return Index	0.7	3.4	6.1	8.9	10.5	5.3

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.

ARE AMERICANS VACATION AVOIDERS? *Project: Time Off* reports Americans spent 16.8 days on vacation during 2016, on average. That was an improvement from 2015, when the average was 16.2, but it was well below the 20.3 days a year spent on holiday from 1978 through 2000.

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The shortening of American vacations owes something to both fear and ambition, according to *Project: Time Off*:

> "Americans are still worried about job security when it comes to taking time off. More than a quarter (26 percent) say they fear that taking vacation could make them appear less dedicated at work, just under a quarter (23 percent) say they do not want to be seen as replaceable, and more than a fifth (21 percent) say they worry they would lose consideration for a raise or promotion."

While waiving a few vacation days may impress the boss, there are some significant economic consequences. For instance:

- Forfeiting 206 million vacation days in 2016 cost employees $66.4 billion in aggregate and about $604 individually.
- The increase in vacation day usage from 2016 to 2017 contributed $37 billion to the U.S. economy, helped create 278,000 jobs, and generated $11 billion in additional income across the country.

As it turns out, gender and job title are good predictors of the likelihood vacation days will remain unused. Last year, men were more likely than women to use all of their vacation days, even though women were more likely to say that vacation was extremely important.

The same was true of senior management. Company leaders believe corporate culture encourages vacation and often hear about the value of taking vacation, but are unlikely to use all of their vacations days.

Weekly Focus – Think About It

"The only people for me are the mad ones, the ones who are mad to live, mad to talk, mad to be saved, desirous of everything at the same time, the ones who never yawn or say a commonplace thing, but burn, burn, burn like fabulous yellow roman candles exploding like spiders across the stars." — *Jack Kerouac, American author*

Sincerely for the firm,

Kerrick W. Bubb

President, KWB Wealth Managers Group

LPL Registered Principal