



Wealth Managers Group

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## WEEKLY COMMENTARY

June 5, 2017

## The Markets

The bull market in U.S. stocks is getting really old!

In fact, this bull has been charging, standing, or sitting for more than eight years. In April, it became the second longest bull market in American history, according to *CNN Money*.

There are some good reasons the stock market in the United States has continued to trend higher. For one, companies have become more profitable. During the first quarter of 2017, companies in the Standard & Poor's 500 Index reported earnings increased by 14 percent, year-over-year. That was the highest earnings growth rate since 2011, according to *FactSet*.

In addition, the economy in the United States has been chugging along at a steady pace. CIO Charles Lieberman wrote in *Bloomberg View*:

"...U.S. economic growth is continuing at a moderate pace, an economic recovery is finally underway in Europe, inflation is under control, corporate profits are rising, and there is some prospect for tax reform and deregulation, even if whatever gets implemented is less than what is really needed. These conditions imply continued growth in corporate profits."

Last week's employment report boosted both stock and bond markets. *Financial Times* opined the report was weak enough to ease pressure on bond rates and strong enough to boost share prices higher.

No one can say with certainty how long a bull market will last. Typically, bull markets are interrupted by corrections – declines in value of 10 percent or more. Historically, bulls have turned into bears, eventually. That's why it's important to employ investment strategies that manage risk and preserve capital even when markets are moving higher.

Data as of 6/2/17	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.0%	8.9%	15.9%	8.2%	13.8%	4.7%
Dow Jones Global ex-U.S.	1.2	13.9	17.3	-0.2	7.0	-1.1
10-year Treasury Note (Yield Only)	2.2	NA	1.8	2.6	1.5	4.9
Gold (per ounce)	0.8	10.0	5.2	0.7	-4.9	6.6
Bloomberg Commodity Index	-2.0	-5.9	-5.1	-14.8	-8.4	-7.3
DJ Equity All REIT Total Return Index	1.1	4.5	6.1	9.1	11.8	5.1

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.

**FRESH FROM THE ANNALS OF IMPROBABLE RESEARCH.** Anyone who enjoys the Ig Nobel Prizes – which spur people's interest in science, medicine, and technology by making them laugh and then making them think – may like *The Annals of Improbable Research (AIR)*. An enthusiastically nerdy science humor magazine, the publication offers readers the opportunity to read about new and improbable things every other month.

During its 21-year history, AIR has covered a variety of topics, including:

- **The Taxonomy of Barney.** "In February 1994, we observed on television an animal which was there identified as a dinosaur, Barney. Its behavioral characteristics suggested that it was dissimilar to the diverse dinosaurian faunas



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that are so well documented...To test the hypothesis that Barney is a reptile descended from the true dinosaurs, we went into the field in order to capture and study a living specimen. This we accomplished with remarkable ease, as Barney was advertised to be appearing at a local shopping mall.”

- **Horse Calculus.** “The idea is that a heart is like a little battery, pushing weak electric currents in a three-dimensional pattern round the body...During each heartbeat, the vector (tip of the arrow) draws a loop – the heart loop – whose shape is a powerful diagnostic of health. Therefore it is useful to measure this loop...His specific question was: does the theory apply to a real horse or only to an ideal cylindrical horse...The moral of this is that applications of mathematical knowledge can be unexpected; you may find yourself taking a surface integral over a horse.”
- **Which Feels Heavier – A Pound of Lead or a Pound of Feathers?** “Which weighs more – a pound of lead or a pound of feathers?” The seemingly naive answer to the familiar riddle is the pound of lead. The correct answer, of course, is that they weigh the same amount. We investigated whether the naive answer to the riddle might have a basis in perception. When blindfolded participants hefted a pound of lead and a pound of feathers each contained in boxes of identical size, shape, and mass, they reported that the box containing the pound of lead felt heavier at a level above chance.”

Lurking beneath the unusual is some potentially useful scientific research.

### Weekly Focus – Think About It

“Being a scientist is like being an explorer. You have this immense curiosity, this stubbornness, this resolute will that you will go forward no matter what other people say.”  
— Sara Seager, *Professor of Planetary Science and Physics at Massachusetts Institute of Technology (MIT)*

Sincerely for the firm,

**Kerrick W. Bubb**

President, KWB Wealth Managers Group  
LPL Registered Principal

The Wealth Managers of KWB & Associates, Inc. (KWB) are registered representatives with and offer advisory services, securities and insurance products through LPL Financial & its affiliates. Member FINRA/SIPC. Not FDIC Insured • May Lose Value • No Bank Or Credit Union Guarantee • Not A Deposit • Not Insured By Any Federal Government Agency Or NCUA.

\* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

\* 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.

\* The Standard & Poor's 500 (S&P 500) is an unmanaged index. 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.

\* Economic forecasts set forth may not develop as predicted and there can be no guarantee that strategies promoted will be successful.

\* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

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\* Stock investing involves risk including loss of principal.

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

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