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SENIORS/BOOMERS NEWSLETTER

"THE RETIREMENT EXPERTS"

February 2018

42.7 percent of all statistics are made up on the spot....Steven Wright

This quote kind of makes me think about what we hear coming out of Washington most days. As Mark Twain famously said, 'Figures don't lie but liars can figure'.

Congress continues to fight over tax reform, immigration, budgets to run the country, etc, etc, etc, (all in a partisan way, of course). One can only hope that they keep their eye on the ball and focus on the big picture; putting Americans back to work! If the average citizen has a way to support her, and his family, that in and of itself will take care of a multitude of sins.

The American Institute for Economic Research just published their January 2018 Business Conditions monthly report. The economy's Leading Indicators index was at 92 for December, matching the highest level since 2014. It was also the best multi-month performance since October 2013.

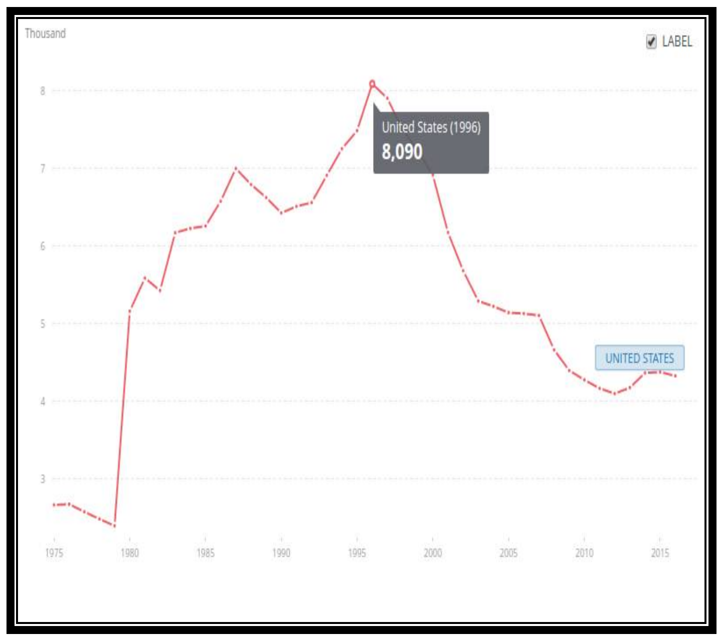
The good news doesn't stop there. The Co-incident Indicators index held at 100 again; this for nine out of the past ten months. All indexes AIER follow suggest continued economic expansion in the months and quarters ahead.

So, what has this to do with the stock markets. As I've mentioned in this newsletter many times before, markets don't usually die of old age. They usually die by way of the results of a recession. Frankly, as much as some analysts look for a reason to call an end to the upward mobility of the S&P 500, there just isn't anything to derail it yet…notwithstanding a 'black-swan' event that could come at any time.

We all know that stocks are very richly valued, but again, they can get even more richly valued before the demise of this bull market. Stay invested…but also stay vigilant!

Although the P/E ratio for the stock market is very high compared to historical data, there is a very good reason for this. In many ways it comes down to supply & demand.

Courtesy of the publication Energy & Capital, here is a chart of publicly listed companies in the United States going back to 1975:



Over the past 20 years companies have merged, were bought out, or simply went bankrupt

Shares Shrinking...

Because of this, the number of shares in publicly traded companies is shrinking. Companies have also been buying back shares. Now, you would expect that with population and GDP growth, the number of shares listed would grow...and it did for many years.

In January 2007, the market cap of the NYSE listing stocks was $17.1 trillion, with 415 billion shares outstanding. This continued to grow so by September 2014, the total market cap was $19.7 trillion, with 465 billion shares outstanding. That, as it turned out was the top in terms of shares outstanding. In October 2016, the market cap had shrunk to $18.7 trillion with 447 billion shares.

This next chart, provided by Charles Schwab, shows a rather remarkable phenomenon. Although December 2017 is not shown here, it also produced a 1% gain. This has never happened before. We have never gone a full year where we didn't have even one down month!

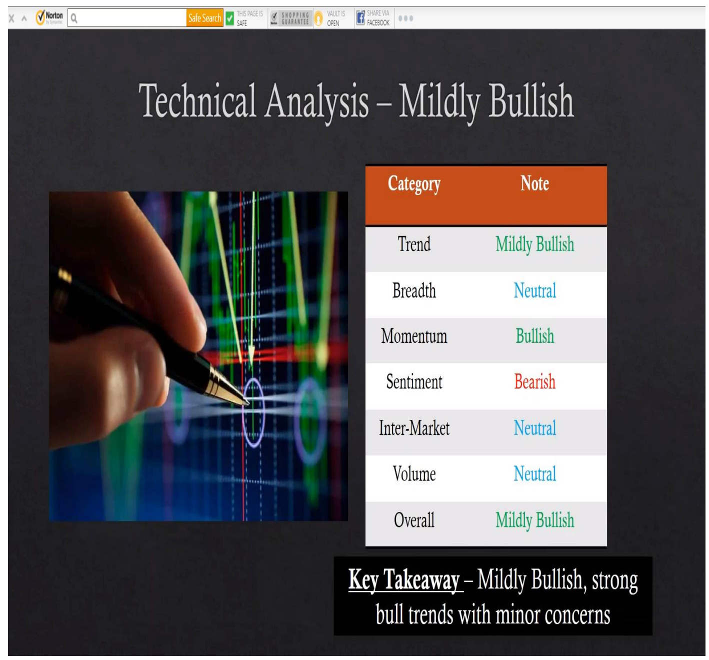
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec
2017	2.7%	2.6%	1.0%	1.4%	1.9%	0.3%	2.7%	0.2%	1.8%	2.0%	1.8%	
2016	-6.1%	-0.9%	7.2%	1.3%	-0.2%	-0.8%	4.2%	0.1%	0.4%	-1.8%	0.6%	2.0%
2015	-1.6%	5.4%	-1.8%	2.7%	-0.4%	-2.5%	0.8%	-7.0%	-3.8%	7.8%	-1.0%	-1.9%
2014	-4.1%	4.6%	0.2%	0.7%	1.8%	1.7%	-1.3%	2.0%	-3.4%	0.6%	1.5%	-2.0%
2013	4.5%	-0.2%	1.6%	2.6%	-0.6%	-3.1%	4.7%	-2.3%	5.0%	3.9%	1.2%	1.6%
2012	5.7%	4.8%	0.4%	-1.4%	-9.3%	4.7%	1.3%	1.9%	2.9%	-0.8%	1.1%	2.1%
2011	1.5%	2.8%	-0.3%	3.9%	-2.5%	-1.7%	-1.7%	-7.5%	-9.7%	10.6%	-3.2%	-0.3%
2010	-4.4%	1.1%	6.2%	0.0%	-9.9%	-3.1%	8.0%	-3.7%	9.4%	3.5%	-2.4%	7.2%
2009	-8.6%	-10.0%	7.9%	11.5%	9.5%	-0.7%	8.7%	3.4%	4.4%	-1.6%	3.9%	2.0%
2008	-8.3%	0.1%	-1.7%	5.3%	1.2%	-8.3%	-2.7%	-2.4%	-12.7%	-19.9%	-6.8%	3.5%
2007	0.9%	-0.7%	1.8%	4.2%	2.7%	-0.4%	-1.6%	-0.5%	5.2%	3.8%	-4.6%	-1.2%
2006	4.9%	-0.3%	1.9%	3.2%	-4.2%	-0.2%	0.6%	2.4%	1.0%	3.7%	2.6%	2.1%
2005	-2.2%	3.3%	-2.4%	-2.4%	1.6%	0.9%	3.6%	0.6%	2.9%	-2.8%	3.5%	2.4%
2004	1.6%	1.7%	-0.8%	-2.5%	0.5%	1.9%	-3.3%	0.4%	1.9%	2.4%	5.3%	3.8%
2003	-3.0%	-2.0%	-0.7%	8.6%	5.5%	1.7%	2.1%	2.2%	0.5%	5.9%	1.4%	6.2%
2002	-2.8%	-0.9%	4.5%	-3.5%	-0.1%	-6.3%	-8.5%	0.1%	-11.1%	7.2%	5.3%	-4.9%
2001	2.5%	-8.5%	-6.9%	7.1%	-1.4%	-3.2%	-1.7%	-4.8%	-9.3%	2.1%	6.0%	0.9%
2000	-5.5%	0.2%	6.5%	-4.6%	-2.7%	3.3%	-3.0%	3.0%	-5.6%	-2.1%	-6.3%	1.6%
1999	1.9%	-2.6%	4.4%	4.2%	-3.7%	4.9%	-0.5%	-0.2%	-1.2%	4.9%	3.0%	8.2%
1998	2.1%	6.7%	4.1%	0.8%	-2.0%	1.7%	-0.1%	-14.2%	1.8%	9.0%	5.9%	4.5%
1997	1.5%	1.2%	-2.2%	3.0%	5.8%	5.0%	4.4%	-7.1%	5.2%	-6.1%	1.4%	1.2%
1996	2.1%	0.2%	1.4%	2.3%	-0.1%	0.4%	-3.9%	1.1%	3.5%	0.2%	5.2%	-1.6%
1995	-2.2%	0.9%	4.4%	3.4%	0.9%	-0.2%	4.7%	-2.4%	2.6%	-1.8%	3.0%	2.8%
1994	6.5%	-1.6%	-4.7%	2.5%	0.4%	-0.7%	2.0%	3.4%	-2.5%	2.4%	-4.5%	0.2%
1993	0.1%	2.2%	5.5%	4.3%	2.5%	-1.2%	1.9%	4.6%	-1.8%	2.8%	-5.4%	5.2%
1992	-1.7%	-1.7%	-4.7%	1.1%	3.6%	-3.8%	0.1%	2.0%	-1.1%	-2.7%	1.5%	0.7%
1991	3.5%	9.2%	-3.5%	1.1%	2.2%	-6.3%	4.6%	-0.4%	2.3%	1.5%	-4.5%	7.2%
1990	-4.8%	-4.4%	-6.4%	-1.5%	10.2%	-0.9%	0.8%	-9.6%	-10.7%	8.9%	-1.9%	1.9%
1989	3.4%	-0.8%	-0.7%	2.3%	-2.5%	-1.6%	11.1%	-2.5%	2.8%	-3.4%	3.8%	3.1%
1988	2.3%	5.6%	2.9%	1.1%	-2.1%	-0.3%	1.7%	-5.7%	4.1%	6.4%	3.2%	0.7%

Table displays monthly change in MSCI AC World Index since inception of index.
Past Performance is no guarantee of future results.
Source: Charles Schwab, Factset data as of 12/1/2017.

As we all know there is so much conflicting information on this stock market, it's hard to know what direction to take with your investing. Frankly, I could list very credible arguments for a pull-back as well as reasons why it will go higher.

What it comes down to is this: if you're invested in the market you should stay invested until you see definite signs of deterioration in the economy or the market itself signals a decline being led by institutional sellers.

Notwithstanding all the confusion surrounding the markets, Pinnacle Advisory and I are in sync based on our technical analysis. Here it is:



REPATRIATION & CORPORATE PROFITS

You may be wondering how much the tax plan's repatriation of corporate profits will help the economy. Well, here's how you get $1.01 trillion in cash, short-term and long-term investments with just 16 companies:

- Apple holds $269 billion
- Microsoft holds $143 billion.
- Alphabet holds $107 billion.
- Cisco holds $76 billion.
- Oracle holds $71 billion.
- Coca-Cola holds $50 billion.
- Amgen holds $41 billion.
- Qualcomm holds $38 billion

- Facebook holds $38 billion.
- Gilead Sciences holds $41 billion.
- Intel holds $27 billion.
- IBM holds $25 billion.
- Pfizer holds $24 billion.
- Merck holds $23 billion.
- Procter & Gamble holds $21 billion.
- Pepsico holds 20 billion.

In fact, only 5 of these companies have been responsible for most of gains in the NASDAQ and S&P 500 for 2017:

>AMGEN UP 59%

>FACEBOOK UP 58%

>APPLE UP 49%

>MICROSOFT UP 38%

>GOOGLE UP 35%

RECESSIONS ARE BAD THINGS

According to numbers compiled by Ben Carlson of Ritholtz Wealth Management, when the market drops without a recession, the average decline is only about 19.4%. With a recession, results are far different and last much longer.

Time Frame	Market Downturn
1939-40	-31.9%
1941	-34.5%
1943	-13.1%
1947	-14.7%
1961-62	-26.4%
1966	-22.2%
1967-68	-10.1%
1971	-13.9%
1978	-13.6%
1983-84	-14.4%
1987	-33.5%
1998	-19.3%
2002	-14.7%
2010	-16.0%
2011	-19.4%
2015	-12.4%

Just take a look at our tally of double-digit losses in the S&P 500 Index when we were in recession (next column). Now you know why I write so often about recessions and how they stop market rallies.

Recession Start		Recession End	Market Downturn
August 1929		March 1933	-86.0%
May 1937		June 1938	-54.0%
February 1945		October 1945	-29.6%
November 1948		October 1949	-20.6%
July 1953		May 1954	-14.8%
August 1957		April 1958	-20.7%
April 1960		February 1961	-13.9%
December 1969		November 1970	-36.1%
November 1973		March 1975	-48.2%
January 1980		November 1982	-27.1%*
July 1990		March 1991	-19.9%
March 2001		November 2001	-48.9%
December 2007		June 2009	-56.3%
Average			**-36.6%**

The lesson here is simple. You should ride out the recession-free declines in the markets, but keep your stop-losses working for you when we are battling recessions.

BEST MONTH FOR BEST SALES

January
Bedding and linens.

Fitness equipment.

TVs and electronics.

February
TV's.

All Winter products.

Home goods.

March
Golf clubs.

Grills.

April
Vacuums.

Jewelry.

Tax-Day Freebies.

May
Spring cleaning necessities.

Small kitchen appliances.

Furniture.

June
Lingerie.

Gym memberships.

Gifts for dad.

July
Apparel.

Patriotic items.

Personal electronics.

August
Back-to-school supplies.

Lawn mowers.

Swimsuits.

September
Mattresses.

iPhones.

Appliances.

October
Outdoor furniture.

Jeans.

Candy.

November
Tablets and laptops.

Gaming systems.

Home appliances.

December
Toys.

Christmas decorations.

Cars.