

Weekly Market Commentary November 21, 2016

The Markets

This time it's the end. Really. Possibly.

It seems like experts have been forecasting the end of the bull market in bonds for years – and they have been doing so. In July 2010, bond guru Bill Gross predicted the 28-year bull market in bonds was near an end and, as interest rates moved higher, bond values would move lower. The Federal Reserve's first round of quantitative easing had ended in March 2010, and he couldn't know a second round, which would keep interest rates low, would begin in November 2010.

Since the U.S. election, investors have begun to favor stocks over bonds. *Barron's* explained:

“BofA ML [Bank of America Merrill Lynch] said the weekly influx was the biggest into equities since December 2014. The outflows from bonds, meanwhile, was the largest since the taper tantrum of June 2013...The flight from bonds made for the biggest two-week loss in more than a quarter-century in the Bloomberg Barclays Global Aggregate Index, which fell some 4 percent, Bloomberg reports. The outflows from municipal and emerging market bond funds were especially acute, about \$3 billion and \$6.6 billion, respectively.”

The Wall Street Journal reported the yield on 10-year U.S. Treasuries finished last week at a 12-month high, after recording the biggest two-week gain in 15 years.

Will investors' enthusiasm for U.S. stocks persist? Will this prove to be the end of the 35-year bull market in bonds? Stay tuned.

Data as of 11/18/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.8%	6.8%	4.7%	6.8%	12.4%	4.5%
Dow Jones Global ex-U.S.	-1.0	-1.7	-3.1	-4.4	2.2	-1.0
10-year Treasury Note (Yield Only)	2.3	NA	2.3	2.7	2.0	4.6
Gold (per ounce)	-2.1	14.0	13.4	-1.9	-6.8	6.8
Bloomberg Commodity Index	-0.4	5.7	1.8	-12.1	-10.5	-6.8
DJ Equity All REIT Total Return Index	0.7	2.7	5.7	10.0	11.9	4.5

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.

LOOKING FOR A GREAT GIFT? If you have friends or relations with young children, consider starting or contributing to a 529 College Savings Plan. It's a great way to fund a future education and, let's face it, really young children often enjoy the box and wrapping more than the gift.

So, if you want to give a child something they'll always remember, starting a college fund may fit the bill. It's a gift that may also benefit the parents. *The College Board* reported the average cost of tuition, fees, room, and board for in-state students attending a public four-year university is expected to be about \$20,000 for the 2016-17 school year. At that rate, the average cost for four years of college would be about \$80,000. Since two-thirds of students received financial aid during the 2014-15 school year, the following example estimates out-of-pocket college costs at \$60,000.

Consider the cost of each option for this fictional family:

- **Borrowing to pay for college:** The Smiths borrow \$60,000 to pay for 18-year-old Joe Smith's college tuition. The interest owed is 5 percent per year. Over the next 10 years, they repay the principal, plus about \$16,400 in interest. By the time Joe is 28, and the loan is repaid, his undergraduate degree will have cost about \$76,400.
- **Saving to pay for college:** Alternatively, the Smiths could open a 529 Plan account for Joe Smith when he was born. If his family contributed \$2,100 a year to the account and earned 5 percent each year, at age 18, Joe would have about \$62,000 for college. His family would have contributed about \$37,800 and earnings in the account would have contributed about \$24,200.

The difference in the amount this fictional family would spend on college is about \$38,600.

529 plans offer other advantages, too. Any earnings plan accounts grow federally tax-free, and distributions are tax-free as long as the money is used for qualified college expenses. Many states offer tax deductions or tax credits for 529 plan contributions, as well.

Any adult can open a 529 plan and fund it on behalf of a child. Once the account has been established, parents, grandparents, relatives, and friends can contribute. If you would like to learn more, contact your financial professional.

Weekly Focus – Think About It

“Every great dream begins with a dreamer. Always remember, you have within you the strength, the patience, and the passion to reach for the stars to change the world.”

--Harriet Tubman, Civil rights activist

Best Regards,

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- * 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.
- * 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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- * Past performance does not guarantee future results. Investing involves risk, including loss of principal.
- * You cannot invest directly in an index.
- * Consult your financial professional before making any investment decision.
- * The fees, expenses, and features of 529 plans can vary from state to state. 529 plans involve investment risk, including the possible loss of funds. There is no guarantee that a college-funding goal will be met. In order to be federally tax-free, earnings must be used to pay for qualified higher education expenses. The earnings portion of a nonqualified withdrawal will be subject to ordinary income tax at the recipient's marginal rate and subject to a 10-percent penalty. By investing in a plan outside your state of residence, you may lose any state tax benefits. 529 plans are subject to enrollment, maintenance, and administration/management fees and expenses.
- * Stock investing involves risk including loss of principal.

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