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## Rational Exuberance?

**WEEKLY UPDATE - DECEMBER 12, 2016**

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On Friday, December 9, all three major U.S. stock indexes ended at record highs. For the first time in five years, they each posted gains every day of the trading week.<sup>[1]</sup> The S&P 500 was up 3.08%, the Dow added 3.06%, and NASDAQ increased 3.59%.<sup>[2]</sup> International stocks in the MSCI EAFE even gained 2.9%, despite potential risks from the Italian referendum and impending end of the European Central Bank's quantitative easing.<sup>[3]</sup>

From our vantage point, we see a rally that appears to be picking up steam. Looking at this impressive growth, however, it's easy to wonder whether the markets are becoming overvalued and a correction is in order.

In keeping with this concern, last Monday, December 5, marked the 20th anniversary of Former Federal Reserve Chief Alan Greenspan's famous warning about "irrational exuberance."<sup>[4]</sup> Back in 1996, Greenspan worried that overvalued stocks and extreme investor enthusiasm could drive stocks to reach unsustainable levels. His warning didn't slow the markets' growth at the time, and several more years passed before the eventual dot-com crash.

### **So, are we facing the same irrational exuberance as in 1996?**

Hardly. We'd argue that rather than being overvalued, the markets have yet to reach their fair price. Domestic fundamentals continue to provide positive data on the economy. With a new presidential administration coming in 2017, we may see regulations lift and banks push more money into the economy, causing growth to accelerate.<sup>[5]</sup>

The markets' recent growth seems to be based on rational exuberance. Investors

see opportunities on the horizon, and they're ready to grab them.

## What's ahead in this exuberant moment?

We're happy to see new potential for growth, but we will continue to make choices based on detailed analysis rather than emotional reactions. This week, we'll be paying close attention to the Federal Reserve's December meeting, where the markets currently give a 95% chance that interest rates will increase.<sup>[6]</sup>


Remember that we are here to help you capture momentum that will support your long-term goals. We won't take more risk than is appropriate for your needs and comfort. If you have questions about your priorities, portfolio, or plan, let's talk.

## ECONOMIC CALENDAR:

**Tuesday:** FOMC Meeting Begins, Import and Export Prices

**Wednesday:** FOMC Meeting Announcement, Fed Chair Press Conference at 2:30 p.m., Retail Sales

**Friday:** Housing Starts

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Data as of 12/9/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
Standard & Poor's 500	3.08%	10.55%	10.35%	16.00%	6.03%
DOW	3.06%	13.38%	12.95%	12.43%	6.05%
NASDAQ	3.59%	8.73%	8.39%	21.14%	12.34%
U.S. Corporate Bond Index	-0.29%	4.58%	3.82%	4.31%	6.52%
International	2.90	-2.24%	-2.07%	3.28%	-1.94%

Data as of 12/9/2016	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.41%	0.64%	0.85%	1.89%	2.47%

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance, S&P Dow Jones Indices and Treasury.gov. International performance is represented by the MSCI EAFE Index. Corporate bond performance is represented by the SPUSCIG. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

## QUOTE OF THE WEEK

*"Use your gifts faithfully, and they shall be enlarged; practice what you know, and you shall attain to higher knowledge."*

*- Matthew Arnold*



## Cauliflower Penne Puttanesca



*Add some spice to a midweek dinner.*

Serves 4

### Ingredients:

3/4 pound penne or some other short pasta  
 3 tablespoons olive oil  
 1 small head cauliflower (about 1 1/2 pounds), cored and cut into small florets  
 Kosher salt and black pepper  
 2 cloves garlic, chopped  
 1 28-ounce can whole peeled tomatoes  
 1/2 cup pitted kalamata olives, chopped  
 2 tablespoons capers, rinsed  
 1/4 teaspoon crushed red pepper  
 2 tablespoons chopped fresh flat-leaf parsley  
 Grated Parmesan, for serving

### Directions:

1. Cook the pasta according to the package directions. Drain and return it to the pot.
2. Meanwhile, heat the oil in a large skillet over medium-high heat. Add the cauliflower, 1/2 teaspoon salt, and 1/4 teaspoon black pepper. Cook, tossing occasionally, until golden, 4 to 6 minutes.
3. Add the garlic and cook, stirring, until fragrant, about 1 minute.
4. Add the tomatoes and their juices, olives, capers, and crushed red pepper. Cook, stirring occasionally and breaking up the tomatoes with a spoon, until the cauliflower is tender, 8 to 10 minutes more.
5. Toss the pasta with the sauce. Serve topped with the parsley and Parmesan.

Recipe adapted from Dawn Perry | RealSimple.com<sup>[7]</sup>

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## Don't Depend on Tax Refund Timing

The holiday shopping season is officially underway, and you may want to take advantage of great deals on expensive items. However, if you plan on making major purchases on credit this holiday season, don't rely on having your tax refund in hand before your credit card bills arrive. Many factors can affect the timing of your tax refund, especially if you have a complex tax situation. Though the IRS issues most refunds within 21 days of receiving a return, extra reviews or requests for more documentation can delay this process.

For more information on preparing tax returns or shortening your refund time, please contact a qualified tax professional.

Tip courtesy of IRS.gov<sup>[8]</sup>

## GOLF TIP



## Keep The Ball Rolling For Better Control

Instead of aiming for maximum distance and getting the ball close to the hole on your chips, try aiming for maximum roll. You have much more control over the golf ball when it's rolling versus when it's airborne. This is because you don't have to worry about things like where the ball will land, how much backspin it will have, and how the slope and lie of the green will affect its movement. To improve your control over the ball, practice hitting low chips that roll toward the hole instead of flying.

Tip courtesy of Jeff Johnson, PGA | Golf Tips Mag<sup>[9]</sup>

## HEALTHY LIFESTYLE



## Lower Your Risk of Arthritis

Arthritis is a painful category of conditions that are not yet completely understood. However, recent research has shown that there are a few things we can do to prevent arthritis and reduce its symptoms:

- Eat more cherries. Cherries have powerful antioxidants and painkilling agents called anthocyanins that have been shown to lower the risk of gout and painful arthritis flare-ups.
- Stop drinking sodas. Sugary drinks can contribute to weight gain (and joint strain) and have been shown to increase the progression of knee osteoarthritis in men.
- Avoid high-purine foods like red meat, oily fish, and certain vegetables. Eating these foods in excess can lead to increased gout flare-ups.

- Strengthen your joints with exercise, stretching, and mobility work.

Tip courtesy of AARP<sup>[10]</sup>



GREEN LIVING



## Use Cloth Napkins and Rags


Instead of reaching for the paper towels or paper napkins, consider switching to cloth alternatives. The bleached paper used in napkins and paper towels can take months or years to degrade and may come from threatened forests. Cotton napkins are easy to launder and are easier on the environment. Instead of paper towels, use microfiber cloths or recycled rags to clean up around the house.

Tip courtesy of U.S. National Park Service<sup>[11]</sup>

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### ***Share the Wealth of Knowledge!***

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia and Southeast Asia.

The S&P U.S. Investment Grade Corporate Bond Index contains U.S.- and foreign-issued investment-grade corporate bonds denominated in U.S. dollars.

The SPUSCIG launched on April 09, 2013. All information for an index prior to its Launch Date is back-tested, based on the methodology that was in effect on the Launch Date. Back-tested performance, which is hypothetical

and not actual performance, is subject to inherent limitations because it reflects application of an Index methodology and selection of index constituents in hindsight. No theoretical approach can take into account all of the factors in the markets in general and the impact of decisions that might have been made during the actual operation of an index. Actual returns may differ from, and be lower than, back-tested returns.

The S&P/Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices, tracking changes in the value of residential real estate. The index is made up of measures of real estate prices in 20 cities and weighted to produce 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.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

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[1] <http://www.cnbc.com/2016/12/09/us-markets.html>

[2] <http://finance.yahoo.com/quote/%5EGSPC/history?period1=1480654800&period2=1481259600&interval=1d&filter=history&frequency=1d>

<http://finance.yahoo.com/quote/%5EDJI/history?period1=1480654800&period2=1481259600&interval=1d&filter=history&frequency=1d>

<http://finance.yahoo.com/quote/%5EIXIC/history?period1=1480654800&period2=1481259600&interval=1d&filter=history&frequency=1d>

[3] <https://www.msci.com/end-of-day-data-search>

[4] <https://www.bloomberg.com/news/articles/2016-12-05/greenspan-s-irrational-exuberance-looks-entrenched-20-years-on>

[5] <https://www.ftportfolios.com/Commentary/EconomicResearch/2016/11/21/give-thanks-for-the-coming-boom>

[6] <http://www.cmegroup.com/trading/interest-rates/countdown-to-fomc.html>

[7] <http://www.realsimple.com/food-recipes/browse-all-recipes/penne-puttanesca>

[8] <http://www.irs.gov/uac/Newsroom/IRS-Offers-Tax-Tips-for-%E2%80%9CThe-Season-of-Giving%E2%80%9D>

[9] <http://www.golftipsmag.com/instruction/short-game/lessons/short-game-strokesavers.html>

[10] <http://www.aarp.org/health/conditions-treatments/info-03-2013/7-ways-to-prevent-arthritis-photos.html#slide5>

[11] [http://des.nh.gov/organization/divisions/water/wmb/coastal/trash/documents/marine\\_debris.pdf](http://des.nh.gov/organization/divisions/water/wmb/coastal/trash/documents/marine_debris.pdf)

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