

# Financial Wanderings

A masterful examination of the previous month's financial events, written by Brad Blackburn, CFP®  
(and made even awesomer by Andrea Dickerson)

August 2016



## Arguing against myself, and winning?



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### August

#### Market Numbers:

**S&P 500:** -0.1% to 2,171

**NASDAQ:** +1.0% to 5,213

**DJIA:** -0.2% to 18,401

**10-Year Treasury Yield:**

+8.2% to 1.58%

**Gold:** -2.9% to \$1,317/oz

Although the commentary in this newsletter has been thoroughly researched, well-reasoned and contains many impressive multi-syllabled words, please enjoy it responsibly. There are many economic minds that are far smarter than mine—and even they can't agree on even the simplest economic questions. In other words, please enjoy this newsletter with the full understanding that it may be entirely wrong.

Recently, a notable investor by the name of Ken Fisher used the word “joyless” to describe the multi-year bull market we've seen in stocks. I have to agree with him. For such a strongly positive market, there sure has been a lot of angst and cynicism. If you've been paying attention to my increasingly pessimistic writings over the last few months, you know that I've become part of that problem. However, I'm getting tired of being such a downer. So, rather than bringing you another installment of “Why the World is Terrible,” I'm going to argue against myself, and paint the most optimistic picture I can for the future of the economy and stock market.



Let's start out with the most obviously positive thing we have going for us: This economy is creating a ton of jobs. If you want to be nitpicky, you could point out that while we've created lots of jobs, many of them have been lower-quality jobs. If you made that point, you'd technically be right – but you'd also be a jerk. Why point out the one small blemish on an otherwise pretty face? Over the last few years, we've averaged nearly 200,000 new jobs per month, and the unemployment rate has fallen below 5%. The whole point of a good economy is to get people working, earning money, feeling confident, and willing to spend and invest for the future - so far, so good.

Real estate is doing well too. Homes are selling like crazy, and prices continue to rise. This helps the economy in a couple different ways. First, as home prices rise, people tend to have more confidence to spend freely. Additionally, when people move into new homes, they often load up on furniture, appliances, and other household items. So, a strong real estate market

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is a good sign for the broader economy.

Given the strong jobs and real estate market, it's no coincidence that consumers are also feeling strong. Consumer spending, consumer confidence and retail sales have all been solid in recent months. Nearly everything remotely associated with the American consumer looks good, which is incredibly important because consumers make up more than 2/3rds of our economy. Given that, it seems unlikely that we're headed for a recession anytime soon.

Even beyond all the economic statistics and hard numbers, there's an-

other good reason to be optimistic, and it goes back to the "joyless" stock market I mentioned earlier. Although it's counterintuitive, a lot of pessimism can actually be a positive sign for stocks. This phenomenon is often referred to as the stock market "climbing up a wall of worry." When people are worried, they don't tend to invest in the stock market. However, when those people finally change their mind and decide to invest, that influx of money can push the markets forward. Following that logic, it's often those times when everyone is wildly optimistic that you should be worried. We've seen two recent examples of this:

The dot-com bubble in 2000, and the real estate bubble in 2007. It's a good sign that we don't see any of that wild optimism in today's world.



So that's my rosy scenario, and I actually think it's a somewhat compelling argument. Unfortunately, I doubt whether any of the good news I've mentioned is sustainable over the coming months and years.

## Thank you firefighters, how'd you do that?

I'll be the first to admit that I get a little whiny and mopey whenever there's a local fire. I began to feel that way recently as I watched smoke rise up from the Leavenworth area. From my vantage point in Cashmere, I snapped this photo of the Suncrest Fire about 15 minutes after it started.



Almost immediately, my mind raced with visions of burned homes, miles of scorched mountains, another month-long September SmokePocalypse like we had in 2011. After a few smoky days, I walked outside one morning to the thickest smoke yet. I remember wondering how long into the fall this fire could last.

However, by lunchtime, the smoke was gone – and it never came back. I'm no fire expert, but it doesn't usually happen like that.



So, not only is a hearty THANK YOU due to the firefighters, but also CONGRATULATIONS on a job well done.



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