



## Market Commentary September 3, 2019

### Dear Investors:

What, me worry?

About this time last year, *Time Magazine* reported on anxiety in America. Almost 40 percent of Americans reported being more anxious than they were the previous year.

The performance of stock and bond markets this summer may have pushed those numbers higher.

Last week finally brought some relief. It was the best week for major U.S. stock indices since June. The Standard & Poor's 500 Index, Dow Jones Industrial Average, and Nasdaq Composite all gained between 2 and 3 percent, reported Ben Levisohn of *Barron's*.

How can investors cope if volatility continues?

*Barron's* Randall Forsyth offered a recommendation, "When the stock market is this crazy, you should just invest lazy." It's important to note that Forsyth's definition of 'managing lazy' is building a diversified portfolio aimed at achieving your financial goals and leaving it alone.

*Marketplace's* Andie Corban and Kai Ryssdal offered a pretty good argument for lazy investing, too. In the audio report, Ryssdal discussed trading algorithms with Joe Gits of Social Market Analytics:

"Gits: So these [algorithms] are reading the president's tweet using natural language processing [NLP], and our current president's tweets are pretty easy to read with NLP, and they are either going long or going short.

Ryssdal: I'm going to ask you to make a value judgment here, then. Entirely apart from making money, are these algorithms – and the outsized effect that they have on movement of the markets – are they a good thing or a bad thing?

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Gits: I think they're a bad thing in general, because I think the volatility causes a lot of panic by buying and selling and I think the average investor gets hurt.”

Staying calm in the face of volatility isn't easy, but it's an important skill for investors to hone. If it helps, remember volatility can be computer-driven.

Data as of 8/30/19	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	2.8%	16.7%	0.9%	10.4%	7.9%	11.1%
Dow Jones Global ex-U.S.	1.0	4.7	-6.7	3.1	-0.8	2.5
10-year Treasury Note (Yield Only)	1.5	NA	2.9	1.6	2.4	3.4
Gold (per ounce)	1.6	19.3	27.7	5.1	3.5	4.8
Bloomberg Commodity Index	1.2	0.4	-7.9	-2.7	-9.3	-4.8

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; 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, MarketWatch, 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.

**IMAGINE MONEY WITH AN EXPIRATION DATE.** At the turn of the 19<sup>th</sup> century, some economists thought negative interest rates made sense, according to *The Economist*.

In 1916, Silvio Gesell published *The Natural Economic Order*, a pamphlet promoting the idea of negative interest rates. A self-taught economist, Gesell lost faith in money after living through a financial crash in Argentina during the 1890s.

*Planet Money* reported:

“The problem, Gesell believed, was that money served two roles that often came into conflict: It was a way for people to store wealth, *and* it was the thing everybody needed to conduct business. The fact that money could store wealth meant its holders had a reason to cling to it, especially in crises like the one he saw in Argentina, when opportunities to safely put that money elsewhere looked grim. It was a typical story. When people got scared, they hoarded cash and brought business to a standstill.”

Gesell suggested a solution: negative interest rates on money. If money continuously lost value, people would not hoard it. They would, in fact, have an incentive to spend it.

How do you make money lose value?

Gesell proposed a tax. Every year, money would expire and lose all value unless the money holder purchased a stamp. The stamp wouldn't be free, reported *Financial Times*. There would be a fee for the stamp.

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For example, if a person held a \$100 bill and paid a \$1 fee after holding it for a year, the after-stamp value of the money would be \$99. After five years of paying fees, \$100 would be worth \$95.

Gesell believed people would, in effect, earn negative interest rates if they held onto money. As a result, they would be eager to spend, and that would keep the economy healthy, and possibly help prevent future depressions and improve prosperity.

It's a thought-provoking theory that earned Gesell a number of nicknames, some flattering and some not.

### **Weekly Focus – Think About It**

“The ultimate purpose of economics, of course, is to understand and promote the enhancement of well-being.”

*--Ben Bernanke, Former Chair U.S. Federal Reserve*

Best regards,

### **SYMPHONY FINANCIAL SERVICES, INC.**

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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.
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- \* All indexes 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.

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- \* 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 Dow Jones Industrial Average (DJIA), commonly known as “The Dow,” is an index representing 30 stock of companies maintained and reviewed by the editors of The Wall Street Journal.
- \* The NASDAQ Composite is an unmanaged index of securities traded on the NASDAQ system.
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- \* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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