



Market Commentary February 6, 2017

Dear Investors:

U.S. stock markets were unsettled last week.

President Trump's executive order banning travel from seven predominantly Muslim countries to the United States for 90 days, in tandem with some disappointing earnings reports, inspired turmoil and uncertainty that helped push U.S. stock markets lower early in the week. The Dow Jones Industrial Average dropped below 20,000.

Mid-week, markets remained sanguine after the Federal Reserve left interest rates unchanged. An economist cited by *Barron's* said:

“[The Federal Reserve] left open the door to hike rates further should the trend in inflation accelerate while also maintaining the option to hold rates steady for an extended period. I expect the minutes to be released in a few weeks will show a more wide ranging debate than that indicated by the policy statement, but the clear lack of visibility on key trade, tax, spending, and regulatory initiatives argued for a well-scrubbed statement.”

Late in the week, markets rallied when the Bureau of Labor Statistics delivered a reasonably strong jobs report. *The Boston Globe* wrote, “...employers added a healthy 227,000 workers to their payrolls in January. But, despite a surge of local minimum-wage increases in states across the country, wage growth was meager.”

Financial shares gained on Friday. *The Washington Post* reported market optimism returned after *The Wall Street Journal* published an interview with Gary Cohn, White House Economic Council Director. Cohn indicated President Trump planned to sign executive orders preparing the way to dismantle Dodd-Frank reforms and limit other regulations affecting the financial industry.

The Dow finished the week just above 20,000.

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Data as of 2/3/17	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.1%	2.6%	20.1%	9.7%	11.3%	4.7%
Dow Jones Global ex-U.S.	0.3	4.3	15.3	-0.1	1.8	-1.0
10-year Treasury Note (Yield Only)	2.5	NA	1.9	2.6	2.0	4.8
Gold (per ounce)	2.6	4.8	7.4	-1.3	-6.9	6.5
Bloomberg Commodity Index	-0.1	0.5	15.3	-11.4	-9.6	-6.1
DJ Equity All REIT Total Return Index	0.8	0.7	13.4	12.5	10.2	4.2

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.

DOES COLLEGE OPEN DOORS?

A new study examined how college affects Americans' social mobility by cross-referencing data from the Department of Education (from 1999-2013) with 30 million tax returns. The researchers looked at the earnings of graduates from various colleges and how graduates' earnings varied relative to parental income. *The Economist* described some of the findings:

"...some colleges do a better job of boosting poor students up the income ladder than others. Previously, the best data available showed only average earnings by college. For the first time, the entire earnings distribution of a college's graduates – and how that relates to parental income – is now known.

These data show that graduates of elite universities with single-digit admissions rates and billion-dollar endowments are still the most likely to join the top 1 percent (though having wealthy parents improves the odds). And despite recent efforts to change, their student bodies are still overwhelmingly wealthy...

...legacy admissions, which give preferential treatment to family members of alumni, exacerbate the imbalance. Of Harvard's most recently admitted class, 27 percent of students had a relative who also attended. There's evidence that this system favors the already wealthy. MIT and the California Institute of Technology, two elite schools with no legacy preferences, have much fewer students who hail from the ranks of the super-rich."

The top colleges by mobility rate (students moving from the bottom to the top 20 percent) included: Cal State University-Los Angeles, Pace University-New York, SUNY-Stony Brook, Technical Career Institutes, University of Texas-Pan American, CUNY System, Glendale Community College, South Texas College, Cal State Polytechnic-Pomona, and University of Texas-El Paso.

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The top colleges by upper-tail mobility rate (students moving from the bottom 20 percent to the top 1 percent) were: University of California-Berkeley, Columbia University, MIT, Stanford University, Swarthmore College, Johns Hopkins University, New York University, University of Pennsylvania, Cornell University, and University of Chicago.

Weekly Focus – Think About It

“Oh give me a home where the buffalo roam,
Where the deer and the antelope play,
Where seldom is heard a discouraging word,
And the skies are not cloudy all day.”

--Lyrics to *Home on the Range*

Best regards,



John Y. Kim, J.D., LL.M.
President

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

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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.

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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 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.
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- * You cannot invest directly in an index.
- * Consult your financial professional before making any investment decision.
- * Stock investing involves risk including loss of principal.

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