



## Market Commentary April 30, 2018

### Dear Investors:

A meeting of the minds.

The Federal Reserve and the U.S. bond market appear to be in agreement about the direction of interest rates. For more years than anyone cares to count, investment professionals have been predicting the end of the bull market in bonds. Bond guru Bill Gross called the end of the bond bull in 2011 – and called it again in 2013. He wasn't alone. Strategists who participated in *Barron's Outlooks* anticipated rising interest rates in 2014 and 2015, too.

The Federal Reserve began encouraging interest rates higher in December 2015 when it increased the Fed funds rate for the first time in a decade. However, the yield on 10-year Treasuries remained stubbornly low. In fact, it fell below 2 percent following the rate hike and stayed there until November 2016.

Since 2015, the Fed has raised rates six times. The latest increase, along with signs of higher inflation, helped push bond rates higher. Higher interest rates could shift investors' preferences in some significant ways, according to sources cited by *Barron's*:

“Two years ago, dividend stocks provided investors a one-percentage point advantage over risk-free rates...Now those places have been swapped...this ability to get a “safe yield” for the first time in a decade, with no risk from falling stock or bond prices, represents a ‘seminal shift and a huge source of competition for the dividend allure of the stock market.’”

We may be at a turning point.

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| <b>Data as of 4/27/18</b>                  | <b>1-Week</b> | <b>Y-T-D</b> | <b>1-Year</b> | <b>3-Year</b> | <b>5-Year</b> | <b>10-Year</b> |
|--|---------------|--------------|---------------|---------------|---------------|----------------|
| Standard & Poor's 500<br>(Domestic Stocks) | 0.0%          | -0.1%        | 11.8%         | 8.2%          | 10.9%         | 6.7%           |
| Dow Jones Global ex-U.S.                   | -0.5          | -0.4         | 13.3          | 2.5           | 3.6           | 0.2            |
| 10-year Treasury Note (Yield Only)         | 3.0           | NA           | 2.3           | 1.9           | 1.7           | 3.8            |
| Gold (per ounce)                           | -1.1          | 1.9          | 4.7           | 3.3           | -2.1          | 4.0            |
| Bloomberg Commodity Index                  | -0.5          | 1.4          | 6.9           | -4.1          | -7.8          | -8.4           |
| DJ Equity All REIT Total Return<br>Index   | 2.9           | -5.9         | -1.6          | 3.9           | 5.8           | 6.0            |

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.

### **WE'LL NEED A NEW KIND OF UMBRELLA FOR THIS.**

In February, a new research paper disclosed a finding no one wants to hear about: Viruses are falling from the sky. Literally. *Science Daily* summarized a report from the *University of British Columbia*. The report said:

“An astonishing number of viruses are circulating around the Earth's atmosphere – and falling from it – according to new research... ‘Roughly 20 years ago we began finding genetically similar viruses occurring in very different environments around the globe,’ says [University of British Columbia virologist Curtis Suttle.] ‘This preponderance of long-residence viruses travelling the atmosphere likely explains why – it's quite conceivable to have a virus swept up into the atmosphere on one continent and deposited on another.’”

*The New York Times* reported the researchers journeyed to Spain and used buckets on mountaintops to catch whatever might fall from the sky. The scientists weren't surprised to find viruses, but they were surprised by the quantity of viruses captured. Best estimates suggest 800 million viruses shower every square meter of the Earth every day.

Don't panic! Viruses are responsible for a lot more than diseases. Scientists theorize viruses and humans may have a symbiotic relationship. According to *Popular Science*:

“Each of us has a unique collection of viruses although there are some species common to us all...endogenous viruses make up some 8 percent of our genetic material. Originally, they were thought to be nothing more than junk pieces of evolutionary history. But we now know they have a variety of functions. One of the most studied topics...focuses on reproduction. A particular protein encoded by one particular virus...appears to be imperative for proper formation of the placenta.”

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Good or bad, the question remains: where do atmospheric viruses originate? No one knows for sure. There are a variety of theories. One theory is viruses are swept from the planet into the atmosphere. Another is viruses originate in the atmosphere. A third is viruses arrive from outer space.

The truth is out there!

## Weekly Focus – Think About It

“The diversity of the phenomena of nature is so great, and the treasures hidden in the heavens so rich, precisely in order that the human mind shall never be lacking in fresh nourishment.”

*--Johannes Kepler, German scientist*

Best regards,

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

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 email with their email 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 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.
- \* 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.

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