

Rochester Financial Services

Fee-Only® Financial Management Services

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Dow Jones	S&P 500	NASDAQ	Russell 2000	10 yr Treas	Earnings Yield (S&P)	Gold	Crude Oil
17,910	2,099	5,147	1,200	2.33%	5.96%	\$1,088	\$44.46



Investment Strategy Report

After Huge October Rebound, Stocks Can Still Move Higher

For those of you who get nervous whenever you read bearish financial headlines, my advice to you is to stop reading the headlines. Nine times out of 10 a) the news has already been factored into stock prices or b) investors will misinterpret the news. Case in point: the October 2nd news about the weak September jobs report. After the stock market swoon of August and September, investors were panicky to begin with. With the release of poor economic data that Friday, many investors tried to outthink the market by exiting before things got worse. But as I mentioned in last month's letter, the stock market staged a historic reversal that day to finish up 200 points. Maybe it was the bad news is good news scenario, in which the weak numbers caused the dollar to weaken, a positive for US exporters. Or maybe it was because the monthly jobs number is a volatile number whose importance is often overestimated. But for whatever reason, not only did the market rally that day, but it continued for the month of October to produce the largest monthly point gains ever for the Dow and S&P 500. Those who read the headlines and got nervous missed out.

Today, the October jobs report was released and we saw both similar and opposite reactions. A total of 271,000 new jobs were created last month, this time much larger than expected. At first, the market reacted negatively, since strong economic data makes it much more likely that the Federal Reserve will begin raising rates. However, by the end of the day, the market finished higher.

Again, trying to overthink it can get you into trouble. As I have mentioned before, good jobs data leading to low unemployment, together with strong auto sales and new home construction indicate that our economy is on firm footing. For the month of October, auto sales were recorded at an annual pace of 18.2 million vehicles. This compares to an annual pace of only 16.6 million in October 2014. This is a large 9.6% increase. And consumers are not just spending their money on cars, as consumer discretionary spending on the whole has been strong. During August and September, another major concern with investors was the crash in the Chinese stock market and the slowdown in the Chinese economy. From June through August, the Shanghai market dropped 50%. But since then, we have seen those stocks rebound 20% from their lows, and the Chinese central bankers continue to cut interest rates to stimulate their economy.

I try to read everything that Steve Sjuggerud (StansberryResearch.com) writes because his outlook for the markets is almost always spot on. His Oct. 29th column was titled "Welcome to THE MELT UP". Needless to say that he is very optimistic about this market, comparing our current environment to that of October 1998. Following the correction in August of that year (and similar extreme negative sentiment), the markets proceeded to melt up until March 2000 (of course we all know what happened after that). He feels that this bull market still has a ways to go.

New Social Security Rules - When President Obama signed the Bipartisan Budget Act of 2015 last week, major changes were made to social security planning strategies (changes will not take effect on April 30th). My understanding (I am still studying the changes) is that the changes only affect benefit strategies for couples. For example, the well known "file and suspend" strategy will be abolished. For those of you who have questions about how this might affect you, please call me.

New College Financial Aid Rules - For those of you with children or grandchildren planning for college, the rules for qualifying for financial aid have also been changed. It used to be that 2015 income and tax return information would be required for students entering college in Sept. 2016. Now, 2014 (the "prior prior year") information will be used. This means that strategies to help students qualify for financial aid, such as asset transfers or income shifting need to be done 2 years prior to the student entering college.

IRA Distributions - I have now contacted all of you, either by email or phone, who are required to make IRA distributions before Dec. 31st. If you haven't yet done so, please take care of this or call me to help you with the process. *Jeff Feldman*

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