

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)	Crude Oil	Gold
22,631	2,532	6,523	1,505	2.33%	5.33%	\$50.40	\$1,276



Investment Strategy Report

Stocks Power Through September to Continue to Hit Record Highs

September happens to be the worst month of the year for stocks, averaging down 1.1% for the last 90 years, so even the most ardent of stock market bulls felt that stocks were due for even a minor correction last month. After 8 months of solid gains, even a small pullback could serve as the pause that refreshes. However, the stock market could only manage less than a 1% retreat on the second trading day of the month. After that, the slow grind higher continued, with stocks finishing the month at new record highs. For those investors waiting for lower prices to put new money to work, they were disappointed. For those optimists who are betting on higher prices, they continued to hold their noses and let their winners ride. The much anticipated correction is still nowhere to be found.

Many investors are confounded that stock prices can move higher despite the dysfunction in Washington. Well, if the stock market were dependent on government in order to move higher, there isn't much question that stocks would not be at record highs. Corporate earnings are what matter to the stock market and investors need to be on the lookout for an earnings slow-down, i.e., recession, if they want to side step a bear market. So market forecasters have essentially become recession watchers, trying to anticipate when this 8 year economic expansion will end. And at this point, the general consensus is that there is no recession in sight.

For example, the US Conference Board Index of Leading Economic Indicators remains very positive and is trending higher. ISM Manufacturing and Services indexes have seen a steep rise, attaining their highest readings of the cycle. The labor market continues to look good, with strong monthly job growth and low claims for unemployment insurance. Copper prices are up about 25% this year. This strong demand for copper indicates a growing global economy.

All of this growth is occurring while interest rates and inflation remain low. The price of oil has stabilized at a fairly reasonable price of about \$50 per barrel, making it easier for companies that use energy to operate. Low bond yields means that fixed income investments are not competitive with equity investments, which provides a further impetus to stock investing.

While there is plenty to be concerned about in the world today, the bottom line is that there is nothing happening that is actionable. Investors should determine what their appropriate or comfortable allocation is, and stick to it. A better exercise might be to attempt to identify trends within the market and try to take advantage of them. As examples, I have had a bias towards growth funds this year and have added emerging market funds and to a lesser extent, developed country market funds. These portfolio adjustments have worked in our favor, as these funds have outperformed the S&P 500 year to date. However, we have recently seen a rebound in value funds and US small cap funds. If these trends continue, adding these funds to our portfolios might add extra return.

RMD Time – For those of who haven't yet made your required IRA distributions for 2017, I will be contacting you shortly so that we can take of this before year end.

Equifax Breach – Several clients have asked me about the Equifax data breach and what they should be doing to protect themselves. My recommendation is that everyone should subscribe to a credit monitoring service that will alert you if anyone tries to access your credit report, whether to get a credit card or take out a new loan. The most well known service is Life Lock. I have used ProtectMyID.com for several years and have been happy with that. You should expect to pay about \$100 per year for these services. *Jeff Feldman*

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