



## Market Commentary March 20, 2017

### Dear Investors:

Three steps and no stumble...

Technical analyst Edson Gould developed a market rule of thumb known as ‘three steps and a stumble.’ It states stock prices may fall after the Federal Reserve (Fed) raises the Fed funds rate three times in a row without a decline, according to *Market Technicians Association*.

The idea is three increases show the Fed is serious about keeping rates at a relatively high level for a significant length of time. Higher interest rates could potentially mean higher costs and lower profits for businesses. As a result, stock investors may sell shares and share prices may fall.

Last week, with employment and inflation data approaching Fed targets, the Federal Open Market Committee raised rates for the third time, pushing the Fed funds target rate into the 0.75 percent to 1 percent range, reported *Financial Times*:

“Fed policymakers’ forecasts for growth and inflation remained little changed, with growth tipped to be 2.1 percent this year and next year, slipping to 1.9 percent in 2019. Core inflation is set to be 1.9 percent in 2017 and 2 percent in the two following years. The possibility of looser fiscal policy emerging from Congress has triggered speculation that the central bank will have to further accelerate its rate-rising campaign, but a number of policymakers are insistent that they want to see firmer plans emerging from Congress before making a call on the impact of possible tax cuts on the economy.”

Major U.S. stock market indices finished the week higher, as did most markets in Europe and Asia. *MarketWatch* indicated Asian markets were encouraged by indications the Fed may not increase rates as often as expected this year, and *CNBC* reported European markets were boosted by a better-than-expected outcome for mainstream parties in Dutch elections.

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Data as of 3/17/17	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.2%	6.2%	16.6%	8.6%	11.0%	5.4%
Dow Jones Global ex-U.S.	2.4	7.8	10.8	-0.4	2.0	-0.6
10-year Treasury Note (Yield Only)	2.5	NA	1.9	2.7	2.4	4.6
Gold (per ounce)	2.2	6.1	-2.9	-3.7	-5.8	6.5
Bloomberg Commodity Index	1.0	-2.7	4.8	-14.1	-10.3	-6.5
DJ Equity All REIT Total Return Index	2.3	1.1	5.5	10.3	10.1	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; 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.

## I SPY WITH MY LITTLE EYE...ROBOTS!

If you take a cruise anytime soon, the bartender may not be able to lend an ear. According to *Financial Times*, one cruise line has installed robotic bartenders that produce one drink per minute per arm, and can make up to 120 drinks an hour.

It's not just cruise lines, either. The food industry in the United States is automating. *Financial Times* described food preparation at a pizza restaurant in California:

“...Pepe squirts tomato sauce on to a pizza base before his colleague Marta spreads it; Noel has 22 seconds to correct any imperfections and add cheese and other toppings, after which Bruno takes the pizza from the line and places it in the oven. But on this production line, only Noel is human. The others – anthropomorphised by name only – are machines conducting tasks usually performed by people.”

The restaurant has 75 human employees who earn about \$18.00 an hour. They all are given opportunities to take coding classes so they can better understand and manage robots as well as the artificial intelligence used to evaluate delivery routes.

Then, there is Sally, a robot offered by a food robotics firm. Sally can produce “... fully-customized, fresh, and healthy salads. Sally's proprietary technology dispenses measured quantities of more than 20 ingredients – refreshed daily – to create a ready-to-eat meal any time of day.” Alternate versions of this robot will offer Mexican and Indian food choices.

Competition for employees is becoming a significant issue in the restaurant industry, reported the *National Restaurant Association*. More than a quarter of restaurant operators, who participated in a January 2017 survey, said recruiting and retaining employees is the single most important challenge they face – a 9 percent jump from 2015. That's the highest level since October 2007.

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Soon, the attraction for young children at burger joints may be watching robotic characters pull together kids' meals!

## Weekly Focus – Think About It

“There is a point in every contest when sitting on the sidelines is not an option.”

--Dean Smith, Former Head Coach, University of North Carolina Tar Heels [10]

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.
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- \* 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.
- \* 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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- \* Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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- \* You cannot invest directly in an index.
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