



Market Commentary November 6, 2017

Dear Investors:

“Taxes are what we pay for a civilized society.”

U.S. Supreme Court Justice Oliver Wendell Holmes’s statement is engraved on the front of the Internal Revenue Service building in Washington, D.C. Some people agree with the sentiment. Others believe it to be a logical fallacy.

It’s likely the tax plan proposed by House Republicans last week had all of them talking, regardless of position on the opinion spectrum. Some of the changes suggested in the proposal include:

- **Reducing current marginal income tax brackets** from seven to four (12, 25, 35, and 39.6 percent). *The New York Times* reported, “While the lowest income rate would increase, typical families in the existing 10 percent bracket would most likely be better off because of a larger child tax credit and an increase in the standard deduction.”
- **Repealing the Alternative Minimum Tax.**
- **Increasing the standard deduction** to \$12,000 for individuals and \$24,000 for married couples, while eliminating personal exemptions (the \$4,050 exemptions you claim for yourself, your spouse, and your dependents).
- **Repealing state and local tax deductions.**
- **Reducing (and eventually eliminating) estate taxes.**
- **Setting the corporate tax rate at 20 percent.** *Financial Times* wrote, “This will not increase wages or growth by much, and nowhere near the wild claims made by its proponents. But a lower rate combined with a broader tax base is not a terrible idea...To pay for the cuts, the tax law writers have gone after corporate deductions...”

4100 Embassy Parkway, Suite 100, Akron, Ohio 44333-1783

330-434-2000 / Fax: 330-665-1515

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- **Eliminating medical expense deductions.** *The Hill* explained, “Under current law, the IRS allows individuals to deduct qualified medical expenses that exceed 10 percent of a person’s adjusted gross income for the year. The bill would repeal that itemized deduction, effective in 2018.”

In addition to headline news about tax reform, investors contemplated the appointment of Jerome Powell as the next Chair of the Federal Reserve and embraced strong earnings. The Standard & Poor’s 500 Index, Dow Jones Industrial Average, and NASDAQ closed at record highs last week.

Data as of 11/3/17	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.3%	15.6%	23.9%	8.7%	12.8%	5.6%
Dow Jones Global ex-U.S.	0.9	21.6	22.9	4.0	5.4	-0.9
10-year Treasury Note (Yield Only)	2.3	NA	1.8	2.4	1.7	4.3
Gold (per ounce)	0.1	9.3	-2.6	2.8	-5.5	4.6
Bloomberg Commodity Index	1.2	-0.7	3.9	-9.6	-9.1	-7.1
DJ Equity All REIT Total Return Index	1.2	7.0	14.0	7.2	10.2	6.8

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.

ARE YOU BULLISH ABOUT PET TECH?

Early in the last century, authors like Anna Sewell (*Black Beauty*) and Jack London (*White Fang*) wrote stories that encouraged readers to understand and empathize with animals. Today, entrepreneurs are developing devices to help people better understand pets. Here are a few innovations in the pet-tech space that may (or may not) become household necessities or in-demand holiday gifts:

- **Remote control pet interaction.** You may be sitting in your office, miles from home, but that doesn’t mean you can’t pull out your smartphone and fling a treat to Fido or shine a laser for Boots to chase. That’s right, interactive pet cameras let you see, feed, talk to, and play with your pet when you’re far away.
- **Pet insight software.** A tech writer at *Slate* wrote, “For the most part, [my cat’s] feelings, daily activities, and health are a black box to me.” Apparently, it’s a common issue. Entrepreneurs have invested \$10 million to develop “deep learning software that can analyze the huge quantities of pet video...to learn more about animal behavior and how it's linked to animal health issues and moods.”
- **Fitness trackers for pets.** Pet owners who suspect their animals are too sedentary may want to invest in smart collars for their pets. Some collars track temperature, heart rate, heart rate variability, activity, calories burned, and more. Once a normal baseline has been established, pet owners may be able to spot anomalies that signal health issues.

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- **Robotic pets with artificial intelligence.** Perhaps, you just don't have the time to feed, walk, and play with a pet. Maybe, you travel too much or dislike the household wear and tear associated with pets. If you want a pet that behaves perfectly and requires less care, you may want to consider a robotic alternative that's "packed with an array of sensors, cameras, microphones, and internet connectivity, as well as far more advanced AI backed by cloud computing to develop the dog's personality," according to *The Guardian*.

It's a high-tech world, after all.

Weekly Focus – Think About It

"Lots of people talk to animals.... Not very many listen, though.... That's the problem."

--Benjamin Hoff, Author of *The Tao of Pooh*

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.

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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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