JANUARY 2018

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"We prefer to invest with a plan and, recognizing that these markets have been pretty extraordinary and volatility extremely benign, use models that will shift as market conditions will eventually also shift, to help us preserve those hard earned dollars."

Market Commentary

2018 is finally here!

In several ways, it looks an awful lot like 2017 with markets continuing to melt up and Mother Nature pounding out another weather emergency, this time along the Atlantic coastline. No complaining about the above-normal temperatures here in Arizona! No complaining either, about the year we just finished with this market, with the S&P having not had a single negative month. A feat that has never happened in the history of the S&P.

So now what? There was not a single conversation last year around our conference room that didn't start with "so when is this market going to correct?" in recognition of a market that wasn't cheap, and a government that wasn't particularly functional, in a world that was either under water or on fire, or in political turmoil. Let's go back to the last commentary we had where we brought up "liquidity" as the mover behind this crazy, wonderful, scary market.

Liquidity is just the sheer amount of dollars in motion to buy stuff. Think of every dollar you own like a vote. Every dollar, no matter where it resides – cash, a loan, a house, stocks – was a vote you placed to use your dollars. When you boil it down, we really only have 6 ways we can vote with our dollars: sit in cash, pay down debt, spend it, buy real estate, start a business, invest in stocks and bonds. That pretty well defines all the choices you have. So let's look at each of these briefly.

Cash. Despite three interest rate increases this year, if you look at your statement on your bank savings account, you will likely still find that money market accounts are paying a measely .01%. CD's have improved some – but last I checked, a 1-year CD was still sub 2%. Woo-hoo! Now cash can't lose money (just some purchasing power due to inflation) but you obviously aren't going to make a lot either.

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Pay down debt. Usually not a bad idea; we like debt-free, especially in retirement. But with that refinanced mortgage probably at 3 – 4%, is there a lot of value in doing that with your cash?

Spend it. Well, evidently many of us did as Retail Sales clocked in at a 5.4% increase over last year, the strongest retail sales number since 2011. And most of us are still sitting on gift cards, which revenue doesn't get recognized until we actually spend those cards. Spending makes sense if you think inflation is going to be rampant and you have some big purchases you were deferring, otherwise, well – how many 70" tv's do you really need?

Buy real estate. We have been fans of real estate over the years and it can be a great diversifier for your portfolio – but investment property isn't for everyone. It takes a lot of work and at the end of the day is pretty illiquid, especially when you have an emergency and need to raise cash quickly. Real estate prices have risen steadily since 2011, the bottom of the real estate market. I can tell you from personal experience that it's much harder today if you're inclined to buy investment property to make the positive cash flow look attractive enough to accept the risk and illiquidity.

Start or buy a business. Obviously not for everyone and also clearly a higher risk, low liquidity option for your cash.

Buy stocks and bonds. Well the market just got a great deal more expensive, didn't it? We measure the value of the stock market by its price-earnings ratio – the price of the stock, divided by the earnings of the company. The historical average PE of the S&P is 15. Today's PE ratio is 22, so higher and thus more expensive. But while it's 50% above the average, it's not at its highest level. That happened in 1999, just prior to the dot "bomb" when the PE hit 32.92 on the S&P. The PE for the NASDAQ during that time was a jaw-dropping 175 (today it's slightly higher than 50).

Generally speaking, nothing is cheap. But we are going to vote with those dollars whether we invest in some fashion or sit in cash. Of the options listed, your best liquidity is either cash or investing in stocks and bonds. It remains to be seen what the direct impact to everyone's bottom line will be with the recently passed Tax Relief Bill, but whether we get to be one of the winners or not, there will certainly be more dollars out there voting now and the infrastructure spending bill hasn't even been discussed yet. The Federal Reserve is talking about three interest rate increases this year, which should not be so much as to cause markets, and especially bonds, to go into revolt. With the unemployment rate at 4.1%, we just do not see any signs of an impending recession. So back to your dollars now - how are you going to vote?

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We hope you enjoyed your holiday time with family and friends and look forward to our meetings this year! Baseball season will be upon us before we know it –

Special Bulletin!!

Copperwynd Financial continues to invest in our business with people, process and now new technology. We will be rolling out a new "21st Century" portal for you to access all your consolidated account information with a mobile option for you power cell users! Watch your email and this space for additional information on when we will be ready to launch the new site -

Financial Planning Tip of the Month

Just as a New Year's resolution to get fit can fail if you don't hit the gym, getting ahead financially is tough if you don't set up a plan and stick to it. When it comes to financial planning and goal setting, viewing all aspects of your plan at least annually is imperative.

1. Review your insurance coverage
2. Review your current retirement plan contributions
3. Review your beneficiaries
4. Get your budget in shape and anticipate any large purchases for the year
5. Plan out your financial goals for the year
6. Review your investment mix with us during your annual review

Being disciplined and savvy financial planning will pay off for you and your family in the long run. Like any good resolution, you have better success when you have help and we will be discussing all these items with you during your annual reviews this year!

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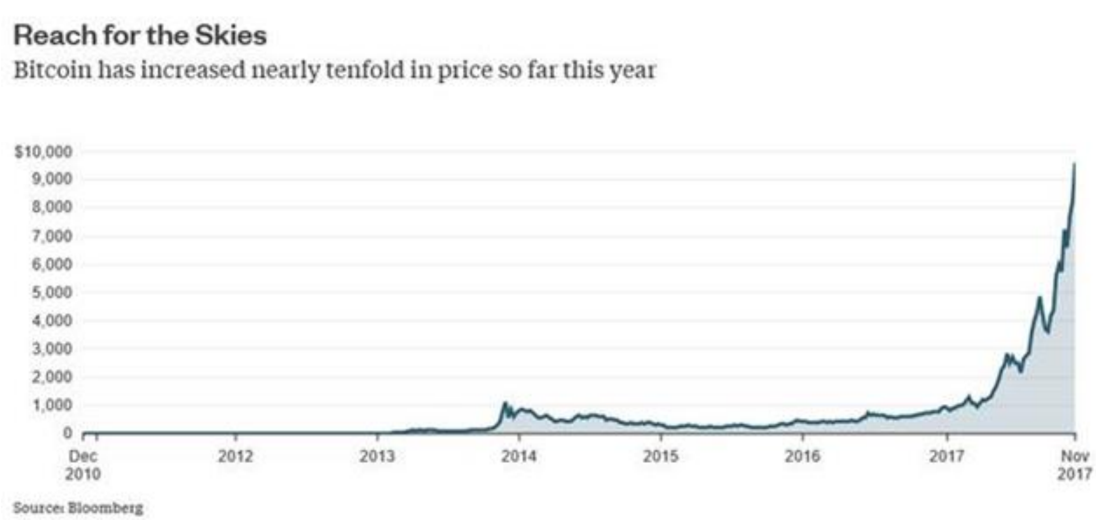
Market Metrics

	Dec 31	Nov 30	1 Year Ago
Dow Jones Ind. Avg.	24,719	24,272	19,873
S&P 500	2,674	2,648	2,252
Nasdaq	6,950	6,776	5,426
The Russell 2000	1,536	1,512	1,358
Developed International Markets	70.5	69.4	57.95
MSCI Emerging Markets	478	461	354
Bond Index	109.26	109.08	107.73
10 Year US Treasury Yield	2.43%	2.32%	2.51%
Gold ($/oz75)	$1,305	$1,279	$1,217

Graphic of the Month

Scarcity is what bitcoin believers think they have going for them. The supply of bitcoins is supposed to max out at just 21 million, though in reality it's likely to effectively grow much larger than that. But while the supply of bitcoins may be fixed, the supply of ways to invest in them and other cyrptocurrencies is certainly not. That is in part what bitcoin speculators are betting on right now. But as the river of ways to invest in cryptocurrencies widens, the flood that has lifted the price of the bitcoin will surely recede, and, as always, much faster than people expect.



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College Planning Tip of the Month

Although there is no hard science that proves that the ACT or SAT is easier, you probably want to determine which test format is better suited to your child's strengths. In spite of their differences, neither test is more likely than the other to produce a great score for any given test-taker. In fact, the vast majority of students perform comparably on both tests.

You may not even need to think in terms of "ACT vs. SAT." The decision of which one to take may be determined simply by whatever admission criteria is laid out by your child's school of choice. If the colleges they are interested in accept scores from either test, you may want to consider having them take both admissions tests. Each one tests the student with a different structure and emphases, and familiarity with their individual structures may help you sort out which is better suited to your child.

Your 401k Allocation

Going into the holidays in November, we had a couple of our strongest areas in the market weaken – namely, technology and international markets. For the most part, we stayed pat on that allocation as year-end can be a time for institutional money to make year-end adjustments. Add to that the tax bill changes and we expected behavior to be a bit abnormal… Technology shares did in fact recover, but international has not. There is bound to be some looming concern about the impact of the European Central Banks announcement that they would be cutting their bond purchases in HALF, and that this represented the beginning of the end of easy money out of Europe, however this still remains "accommodative" policy. We also saw a strengthening dollar, which generally causes a headwind for international assets. As a result, we are giving up most of our international weighting with this month's allocation and shifting into mid-sized companies, where there has been building strength.

Looking back on our 401K approach for this year, we cheer the weighting to international and (if your plan offered it!) emerging markets which both had great years. Bonds were fairly quiet, and the choice to stick with short-term bond funds or stable value funds underperformed the bond index by a couple of percentage points. Despite missing out on a little more upside on the bonds, we are sticking with the short-term bonds or stable value as our "low volatility" component to your allocations this year. There is always the chance we see bond values drop as interest rates continue up (and the Federal Reserve has signaled 3 more increases for 2018) and we can't have you losing money in your safest bucket!

It will be another interesting year, we're sure!

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January 2018					
		Agg. Growth	Growth	Moderate	Conservative
Bonds / Cash		0%	15%	35%	65%
	Stable Asset - OR - Short Term Bond	0%	15%	35%	35%
	Total Return	0%	0%	0%	30%
	World Bond	0%	0%	0%	0%
	Inflation Protected Bond	0%	0%	0%	0%
Large Cap:		50%	45%	36%	20%
	Large Cap Growth	38%	32%	25%	16%
	Large Cap Value	12%	13%	11%	4%
Mid Cap:		30%	25%	18%	10%
	Mid Cap Growth	15%	15%	10%	5%
	Mid Cap Value	15%	10%	8%	5%
Small Cap:		15%	10%	8%	5%
	Small Cap Growth	5%	5%	4%	3%
	Small Cap Value	10%	5%	4%	2%
International:		5%	5%	3%	0%
	Developed International	0%	0%	0%	0%
	Emerging Markets	5%	5%	3%	0%

New and Noteworthy

- **February 22nd, 2018, 12:00pm: Women's Lunch and Learn – Investment Management 101–Gardner Village, West Jordan, Utah**

  We invite you to join us for a continuation of our Women And Finances series as we introduce you to Investment Management 101. Please join us for lunch and feel free to invite a guest. If you would like to attend, please RSVP to Amy Diamond by email at adiamond@copperwyndfinancial.com or by calling us at the office, and we look forward to seeing you there!

- Note that we are anticipating the first wave of 1099's from TD Ameritrade no sooner than the first part of February. Watch in next month's newsletter for more information**!**