

November 2017

In This Letter

- Five Talking Points

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Halloween came and went. This market is not afraid of anything. Now in November, the market momentum is occurring during a seasonally sweet time of the year. We'll see how the end of 2017 unfolds.

What generally happens when the U.S. Economy and corporate earnings exceed analyst expectations? The Dow, S&P 500, and Nasdaq, all break out to new highs. The Dow Jones Industrial average rose 4.3% in October. The 121 year old economic indicator is packed with large multi-national companies reaping the benefit of the world's major economies growing in sync for the first time in a decade. All of these records in "scary" October, despite, two hurricanes, devastating fires, and as always - geo-political angst.

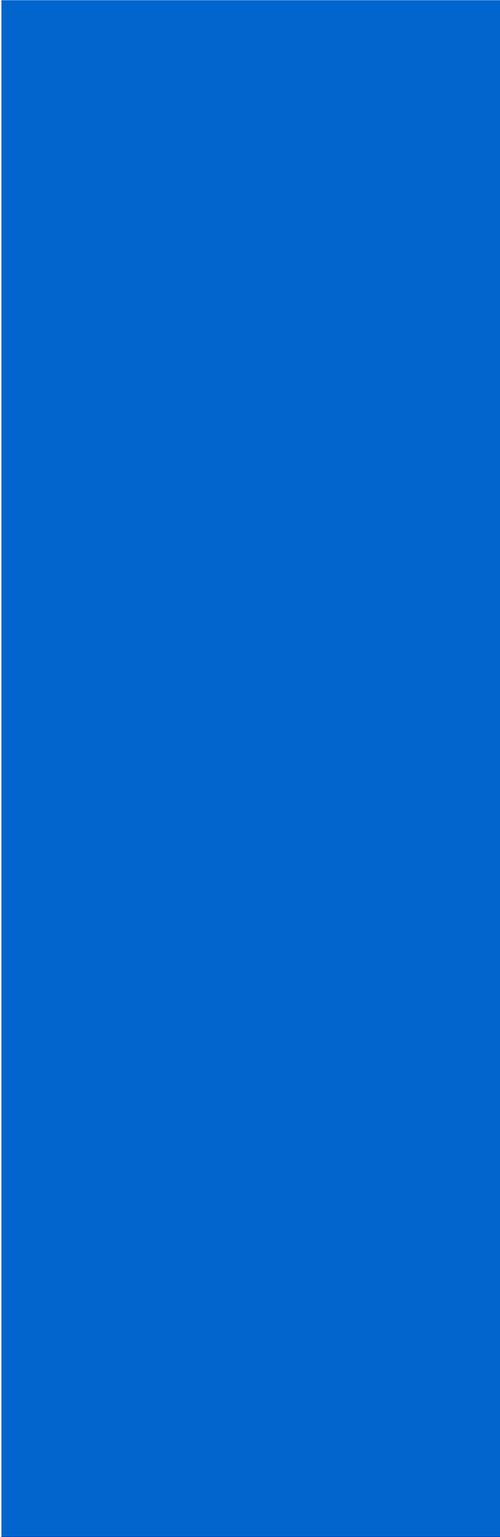


"Halloween came and went. This market is not afraid of anything."

Lately, we have seen an uptick in clients who express concern that stock valuations are over-valued and a little long in the tooth. The worry is - this market might correct. No matter what, we keep one eye open.

Below are talking points we are trying to relay to clients to alleviate some concerns.

- 1) **It is just a number.** The Dow Jones Industrial Average crossed the 20,000 point barrier earlier this year. It was celebrated as a monumental event. The fact is, it is just a number. October ended the month at 23,338. It is just a number. The Dow depicts 30 companies across the United States in various sectors – Financial, Health, Technology, Industrial, Telecommunications, etc. The Dow Jones Industrial Average simply sends a bullish or bearish sentiment on how investors view the economic future.

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- 2) **Bull markets do not die of old age.** Yes, we are amidst the second longest bull-run in history - going on 9 years now. Markets do not die of old age, they die of recessionary headwinds. There are a number of reasons that markets correct, duration is not one of them.
 - 3) **Markets are hot right now.** If we get any meaningful tax legislature (I know, it's a big "if"), we may see the markets propel forward from the cash held overseas. Cash repatriation is a top priority of tax reform. Tech companies like Microsoft, Oracle, Cisco, Apple, Alphabet, etc., and investors, should benefit. There are a lot of interesting things that can be done with the cash that may not be priced into the market. Cash can raise dividends, buy-back other stock, and increase wages for employees. Cash can be used for merger and acquisition events and plant and equipment expenditures. These are all bullish.
 - 4) **We will get corrections.** A correction is defined as a market pull-back of at least 10%. Corrections in a bull market are pretty normal. They are an unavoidable reality of owning equities. We will not be able to get out of the market before portfolios correct. Regardless of what you may read occasionally, no one can time the market with any effectiveness. Market corrections and bear markets are the most opportune times to make money long term. We have found it's always best to buy quality on the dips.
 - 5) **It is time to rebalance.** We will be looking at all client's accounts to rebalance portfolios. This year's gains have pushed the equity portfolio in most of your accounts. Our Johanson Financial Advisor's investment policy is to rebalance portfolios back to the original intent of a client's risk/return objectives.

In the spirit of November and Thanksgiving, we could not go without wishing you a Happy Thanksgiving and all the best in life. We have a lot to be thankful for. We thank you so much for your relationship and trust. May love and friendship abound.