



Stocks Mixed, Fed Changes Policy

Weekly Update – September 25, 2017

Domestic indexes were mixed last week, as the Dow gained 0.36%, the S&P 500 eked out a 0.08% increase, and the NASDAQ lost 0.33%.¹ International stocks in the MSCI EAFE added a solid 0.68%.²

Three stories that have dominated conversations and driven investor attention in 2017 continued last week:

- **Healthcare policy:** The Senate's continuing discussion of healthcare reform impacted stock performance in connected industries.
- **Tension with North Korea:** The markets responded quietly to continuing conflict between President Trump and Kim Jong Un, although some investments saw a bump later in the week.³
- **Interest rate updates:** While the Fed chose not to raise interest rates in its most recent meeting, it indicated that a December hike is definitely still on the table.⁴

When announcing its latest interest rate perspectives, the Federal Reserve also indicated that it would begin to reduce its balance sheet next month.⁵

But, what does that really mean—and why does the Fed have a \$4.2 trillion balance sheet, anyway?

A Look Back on Quantitative Easing

During the financial crisis and recession, the Fed took an unprecedented and controversial approach to stabilizing our economy and the world's markets. By buying trillions of dollars of Treasury and mortgage bonds between 2008 and 2014, it aimed to encourage hiring, economic growth, and investing. This action is commonly known as Quantitative Easing (QE).⁶

Through the three rounds of QE, the Fed added trillions of dollars of new money to the financial markets. Since QE first began almost a decade ago, we have seen unemployment reach a 16-year low and the S&P 500 more than triple from its bottom in 2009. Although economic growth is still slower than before the recession, the Fed believes the economy is now strong enough to handle more normal monetary policy.⁷

In October, the Fed will start the gradual process of lowering its balance sheet—currently equal to about a quarter of Gross Domestic Product (GDP). Thus far, investors have had a mild response to this plan. As the Fed begins slowly allowing billions of dollars of bonds to roll off, we will closely monitor the economic impact.⁸

We know that monetary policy can seem like an incredibly complex topic—and, frankly, it is. However, we think you deserve to understand the large forces at play in your

financial life. If you have any questions about the Fed's latest announcement, or any other financial details, we're always here to talk.

ECONOMIC CALENDAR

Tuesday: New Home Sales, Consumer Confidence

Wednesday: Durable Goods Orders

Thursday: GDP

Friday: Personal Income and Outlays, Consumer Sentiment

DATA AS OF 9/22/2017	1 WEEK	SINCE 1/1/17	1 YEAR	5 YEAR	10 YEAR
STANDARD & POOR'S 500	0.08%	11.76%	14.93%	11.37%	5.07%
DOW	0.36%	13.09%	21.51%	10.48%	4.92%
NASDAQ	-0.33%	19.39%	20.37%	15.11%	9.18%
INTERNATIONAL	0.68%	17.44%	14.44%	4.91%	-1.29%
DATA AS OF 9/22/2017	1 MONTH	6 MONTHS	1 YEAR	5 YEAR	10 YEAR
TREASURY YIELDS (CMT)	0.97%	1.19%	1.30%	1.88%	2.26%

Notes: All index returns (except S&P 500) exclude reinvested dividends, and the 5-year and 10-year returns are annualized. The total returns for the S&P 500 assume reinvestment of dividends on the last day of the month. This may account for differences between the index returns published on Morningstar.com and the index returns published elsewhere. International performance is represented by the MSCI EAFE Index. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.



“Never mind what others do; do better than yourself, beat your own record from day to day, and you are a success.”

– William J. H. Boetcker

Salty (and Other) Caramel Apples



Serves 8

Ingredients:

8 whole apples, more if using small apples

4 11-oz packages of caramel melts

2 TBSP heavy cream

1 tsp vanilla

Dash of salt

Toppings: mini chocolate candies (like M&Ms), crushed pretzels, kosher salt, chocolate chips, coconut, crushed pecans, crushed salted cracker (like Saltines)

Chopsticks

Directions:

1. Melt cream and caramels together in a double boiler (or glass bowl set on top of a simmering saucepot of water).
2. Add salt and vanilla to melted caramel mixture, stirring until smooth.
3. Turn apples upside down, and insert a chopstick into the bottom of each apple.
4. Dip each apple into the melted caramel mixture, completely covering the apple up to the chopstick's base.
5. Let excess caramel drip off of apple before rolling the caramel apple into whatever toppings you want to use (make sure you do this step carefully and quickly, before the caramel cools).
6. Repeat process for each apple, placing coated apples on wax paper.
7. Cool apples in refrigerator, and cover them in plastic wrap or cellophane.

Recipe adapted from The Pioneer Woman⁹



Managing Taxes During a Divorce or Separation

When couples decide to divorce or separate, they likely must address various financial details related to their partnership. Depending on how complex a couple's finances are, carefully unwinding the tax intricacies may require a number of steps. If you are experiencing a divorce or separation, we understand how challenging these times can be. To help guide you, we've compiled some guidance on how to manage your taxes during the process:

1. **Make any name changes:** If you are changing your name, you need to update your personal information with the Social Security Administration (SSA). The name you list when submitting taxes to the IRS must match the information the SSA has on file. Find more info on the [SSA website](#).
2. **Report any alimony you receive:** Spouses that receive alimony must report this income to the IRS for the year they received the money. Also, be aware that alimony does not have tax withholding and may affect how much you owe in taxes when you file.
3. **Claim child support correctly:** Former spouses or partners that make child support payments cannot include these amounts in their alimony deductions.

Other details may apply, and you can find more information on the [IRS website](#).

* This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

Tip courtesy of IRS.gov¹⁰

GOLF TIP



Square Your Putterface

Accurately aligning your putter is critical if you want to consistently sink your shot. However, even if you read the line perfectly, you can end up seriously missing the hole if you open or close your putter's face at impact.

To identify whether you are accidentally shifting your putter, practice putting two balls at the same time:

1. Place two balls next to each other on a green.
2. Square your club behind both balls.
3. Try striking the balls at precisely the same time.
4. Note how the balls move:
 - Outside balls that roll farther mean you closed your face at impact.
 - Inside balls that roll farther mean you opened the face.
 - Balls that move the same distance mean you hit them squarely.

Continue practicing the above exercise until you can successfully square your putterface.

Tip courtesy of Golf Digest¹¹



Know These Common Aging Ailments

As we age, our bodies no longer function as well as they may have when we were younger. While everyone ages differently, some common ailments exist as we grow older. Before you worry that you have a pain no one else experiences, explore these typical ailments that occur in older age.

- **Lower Back Pain:** Back pain is common no matter one's age. But if you have more lower back pain in your older age, you may be experiencing the effects of arthritis. A visit to your doctor can help you identify the cause and physical therapy that can help improve the pain.
- **Osteoarthritis:** One-third of adults over 60 years old suffer from osteoarthritis, which occurs when the protective cartilage between your bones degenerates, creating joint pain. To help combat the condition and minimize pain, be sure to stay active and strengthen muscles around the joints.
- **Carpal Tunnel:** This condition can peak between your 40s and 60s, and sometimes may require surgery, depending on its severity. Whether hereditary or brought on by arthritis or another cause, this ailment occurs when the nerve from your arm to your wrist becomes squeezed or pressed. You can lessen pain with short-term use of painkillers and also consult your doctor for recommended treatments.

Tips courtesy of WebMD¹²



Minimize Your Carbon Footprint

The ways you live your life, from how you wash laundry to the amount you throw away, all comes with a carbon-footprint price tag. In fact, simple choices around your home may be increasing the amount of carbon dioxide you release into the atmosphere. You can better control your contributions by knowing how many pounds of carbon you release and save by changing your habits. Here are some ways you can reduce your carbon footprint:

Recycle aluminum and steel: Reusing existing metals to make new cans minimizes carbon output. When you recycle, you reduce the energy needed to make an aluminum can by up to 95% and a steel can by 74%, saving 414 pounds of CO₂ annually.

Wash laundry using cooler temperatures: Using hot water to wash your clothes contributes around 90% of your laundry's energy use. You can save up to 349 pounds of CO₂ each year by switching half of your loads from hot to warm. For this effect, you also need to wash the other half of your loads with cold water.

Drive the speed limit: Obeying posted speed limits can do more than save you from driving tickets—it can also improve your fuel economy by 15% and decrease gas costs by \$200 annually. Further, driving 65 miles-per-hour instead of 75 keeps 1,500 pounds of CO₂ from entering the atmosphere annually.

Tip courtesy of Real Simple¹³

Share the Wealth of Knowledge!

*Please share this market update with family, friends, or colleagues.
If you would like us to add them to our list,
simply click on the "Forward email" link below. We love being introduced!*

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Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indices from Europe, Australia, and Southeast Asia.

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.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

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¹<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=I DJI®ion=usa&culture=en-US>

<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=SPX®ion=usa&culture=en-US>

<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=@CCO>

² <https://www.msci.com/end-of-day-data-search>

³ <https://www.cnbc.com/2017/09/22/us-stocks-open-lower-as-geopolitics-tensions-heat-up-after-north-korean-threat.html>

⁴ <https://www.reuters.com/article/us-usa-fed/fed-keeps-u-s-rates-steady-to-start-portfolio-drawdown-in-october-idUSKCN1BV0GJ>

⁵ <https://www.reuters.com/article/us-usa-fed/fed-keeps-u-s-rates-steady-to-start-portfolio-drawdown-in-october-idUSKCN1BV0GJ>

⁶ <http://fingfx.thomsonreuters.com/gfx/rngs/USA-FED/010050VD1YM/index.html>

⁷ <https://www.bloomberg.com/news/articles/2017-09-20/can-the-fed-unwind-without-unnering-markets-quicktake-q-a>

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⁸ <https://www.bloomberg.com/news/articles/2017-09-20/can-the-fed-unwind-without-unnering-markets-quicktake-q-a>

⁹ <http://thepioneerwoman.com/cooking/salted-and-other-caramel-apples/>

¹⁰ <https://www.irs.gov/newsroom/divorce-or-separation-may-affect-taxes>

¹¹ <https://www.golfdigest.com/story/start-every-putt-on-a-great-line>

¹² <http://www.webmd.com/pain-management/features/common-pains-of-age#1>

¹³ <https://www.realsimple.com/home-organizing/green-living/how-green-are-you>