



FEBRUARY 2017

## GRATITUDE

Written by David Ferrucci

This month's edition of **balance** begins where last month's ended, with *Janus*. As the Roman god of beginnings and endings, Janus was depicted as having two faces, one looking to the past and the other to the future. Looking back to January, many thoughtful responses to our homework assignment poured in, and the replies below illustrate the heartfelt nature and variety:

- **What do you love to do?**
  - Garden
  - Cook
  - Work with people, helping them to see their true potential.
  - Drive along the river and enjoy the tranquility and scenery.
  - On the farm, the work is never done; I embrace this challenge as it is a labor of love.
- **What makes you laugh out loud?**
  - My husband's terrible jokes!
  - To see and hear my seven-month-old great-granddaughter smile and laugh brings such joy to my heart and soul that I laugh out loud even though I don't know what is funny. Happiness is infectious!
- **What is the most interesting thing you have learned within the past year?**
  - Three teaspoons – not four!! – equal a tablespoon. No wonder every diet I have been on has failed.

*"The reason gratitude works to increase life satisfaction is that it amplifies memories about the past: their intensity, their frequency, and the tag lines the memories have."*

- **How have you been helpful to other people?**
  - Sometimes, just a smile works wonders.
  - Pray
- **What have you done – or what do you do – to make your life better?**
  - Lost 75 pounds
  - Spend time with the people I love, in the places I love.
- **For what are you grateful?**
  - The health and happiness of my family.
  - Living in America.
  - For everything; family, friends, reasonably good health, and, yes, even my poor golf game.

Martin Seligman, a pioneer in Positive Psychology, states, “The reason gratitude works to increase life satisfaction is that it amplifies good memories about the past: their intensity, their frequency, and the tag lines the memories have.”

In response to one of the questions above, someone wrote, “There is much to be grateful for if only we give positive thoughts a chance.” Like Janus looking to the future, such optimism encourages us to <sup>1</sup> do what we love to do, <sup>2</sup> laugh out loud, <sup>3</sup> learn something new, and <sup>4</sup> help others along the way. Each of these actions makes our lives better; and, like a cherry on top, gratitude amplifies the good memories!

My gratitude to the many great co-authors of this article!

*“Happiness is infectious!”*

## MARKETLIGHT

Written by Paul Ferrucci

### Strong Start to 2017

This time last year, financial markets were staring down a slight correction; however, January of this year was a strong month for financial markets around the world.

Here in the U.S., equity markets continued their rally, as rising consumer and business confidence rolled over from Q4-2016. All three major U.S. indices were positive for the month. The Dow Jones Industrial Average, S&P 500 Index, and Nasdaq were up 0.62 percent, 1.90 percent, and 4.35 percent, respectively, in January. Per FactSet, with 34 percent of companies in the S&P 500 reporting as of January 27, the blended average growth rate for the fourth quarter of 2016 was 4.2 percent, up from the 3.1-percent growth rate forecast on December 31<sup>st</sup>.

International markets had a strong start to the year as well. The MSCI EAFE Index notched a gain of 2.90 percent while the MSCI Emerging Markets Index climbed 5.48 percent. Despite concerns about the future of global trade following President Trump's decision to withdraw the U.S. from the Trans-Pacific Partnership (TPP), financial markets seemed to respond to signs of faster global growth.

Fixed income had an active month, with interest rates fluctuating on concerns about faster growth and rising inflation. At month-end, however, rates were stable. The yield on the 10-year U.S. Treasury started and ended January at 2.45 percent, and the Bloomberg Barclays Aggregate Bond Index posted a slight gain of 0.20 percent.

U.S. high-yield corporate bonds fared better than the broader fixed income market. The Bloomberg Barclays U.S. Corporate High Yield Index rose 1.45 percent during the month. Much of this gain was driven by improvements in the lower-rated portion of the market and the continuing recovery of the oil and gas sector due to stabilized oil prices.

### Economic Fundamentals Continue Improvement

Fundamentals in the economy continued their steady improvement, albeit at a slower pace. Even with lower-than-expected GDP growth for the fourth quarter, business and consumer expectations were at elevated levels. Both the ISM Manufacturing and Non-Manufacturing indices beat expectations for December and remained in healthy expansionary territory.

Consumer confidence fell slightly from December's 16-year high but remained very strong. Rising levels of confidence for consumers and businesses bode well for future growth.

Jobs were another area where growth moderated slightly, as the economy added 156,000 jobs in December. Though this was below expectations, positive revisions to the numbers for previous months helped offset some of the shortfall.

Headline retail sales rose 0.6 percent in December, below expectations but still representing a healthy rebound from November's slower growth.

Housing stayed strong, though also slowed in January,

pulling back slightly from previous highs at the end of 2016. Existing and new home sales declined more than expected, but both were at healthy levels, and much of the weakness may be attributable to supply shortages rather than lack of demand. Even with the slight decrease in sales, homebuilder confidence was near historic highs while housing permits and starts increased more than expected.

### The Federal Reserve

The headline and core consumer price indices advanced in January, with the former showing a 2.1-percent year-over-year increase and the latter increasing to 2.2-percent year-over-year growth. These are both above the Federal Reserve's 2-percent target. With inflation above the Fed's target and employment healthy, future rate increases are still likely.

### Political Climate

It remains to be seen exactly how the U.S. will engage with the rest of the world in the coming months, but the continuing growth of the global economy and the return of corporate earnings growth indicate that prospects are encouraging despite the risks. As always, a well-diversified portfolio coupled with a time horizon that meets investment goals can provide the best opportunity to attain financial objectives.

*All information according to Bloomberg, unless stated otherwise.*

The Ferrucci Company is a wealth management boutique to which families turn for financial guidance and leadership, freeing them to pursue their most important goals and values.

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**David Ferrucci:** Over twenty-five years ago, David began helping individuals, couples, and families make balanced – and smart! – financial decisions. Earning Bachelor's and Master's degrees from Trinity College, he focused his studies within the field of behavioral finance; an academic discipline that factors human elements into traditional economic assumptions. David also earned a Master's degree from Columbia University, where he examined the complex relationship between personal finance and family dynamics. Currently, he is pursuing a Master of Philosophy degree through Wesleyan University, deepening his understanding of personal, family, community, and global matters as they relate to finances. Today, David's expertise lies in the macro-economic realm of coordinating, synchronizing, and advancing individual and family goals.

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