



FINANCIAL Insights

August

Don't Sell on Headlines

So far, the world markets seem to be shrugging off the sabre-rattling coming from North Korea (normal behavior) and the U.S. White House (complete departure from policy). The smart money is betting that the distant but suddenly headline-grabbing possibility of the first conflict between two countries armed with nuclear weapons will amount to a tempest in a teapot.

Meanwhile, the U.S. stock market has been testing new highs for months, and experts cannot quite explain why valuations have been rising amid such low volatility.

So the question is quite logical: isn't this a good time to pare back or get out of the market until valuations return to their historical norms, or at least until the North Korean "crisis" blows over?

The quick answer is that there's never a good time to try to time the market. The longer answer is that this may actually be a particularly bad time to try it.

What's happening between the U.S. and Korea is admittedly unprecedented. In the past, the U.S. largely ignored the bluster and empty threats coming out of the tiny, dirt-poor Communist regime, and believe it or not, that also seems to be what the military is doing now. Yes, our President did blurt out the term "fire and fury" in impromptu remarks to the press, and later doubled down on the term by suggesting that his warning wasn't worded strongly enough. But the U.S. military seems to be responding with a yawn. There are no Naval carrier groups anywhere near

Korea at the moment; the U.S.S. Carl Vinson and the U.S.S. Theodore Roosevelt are both still engaged in training exercises off the U.S. West Coast, and the U.S.S. Nimitz is currently patrolling the Persian Gulf. Nor has the State Department called for the evacuation of non-essential personnel from South Korea, as it would if it believed that tensions were leading toward a military confrontation.

Meanwhile, on the home front, the U.S. economy continues to grow slowly but steadily, and in the second quarter 72.2% of companies in the S&P 500 index have reported earnings above forecast.





What does that mean? It means that you will probably see a certain amount of selling due to panic over the North Korean standoff, which will make stocks less expensive—a classic buying opportunity. History has given all of us many opportunities to panic, going back to World War I and World War II, and more recently 9/11—but those who stayed the course reaped enormous benefits from those who abandoned their stock positions.

If you're feeling panic over the North Korean situation, by all means, go in the nearest bedroom and scream—and then share some sympathy for the Americans living in the island territory of Guam, which is in the direct path of the North Korean bluster. Just don't sabotage your financial well-being in the process.

-Bob Veres

The market at a glance

July

 U.S. large cap (S&P 500)	2,470.30 (1.93%) ▲
 U.S. mid/small (Russell 2000)	1,425.14 (0.69%) ▲
 International large (NYSE International 100)	5,565.48 (3.65%) ▲
 U.S. Treasuries (U.S. 10-year Treasury yield rate)	2.30 (-0.43%) ▼



The market in action

- Volvo announced that by 2019 all of their cars will either be hybrids or electric-based. They are the first U.S.-based car manufacturer that has done so. This news came shortly before Britain announced that manufacturing new petrol and diesel cars will be banned starting in 2040.
- QVC and HSN, prominent television-based retailers, announced that the two companies will be merging in a deal worth a reported \$2.1 billion. In the deal, QVC's parent company, Liberty Interactive, will assume full control of operations pertaining to HSN.
- In the second quarter, Samsung out-earned Apple for the first time in at least the past three years.
- Wage growth over the past year was mostly stagnant, according to the Bureau of Labor Statistics.
- Warren Buffett, known best for his successful investing career and generous philanthropy, donated over \$3 billion worth of stock in early July. Since 2006, Buffett has purportedly made over \$27.5 billion in charitable donations.
- In 2016, a total of \$17.8 billion was spent on television advertising during sporting events, according to figures from Kantar Media.
- 3 million Mercedes-Benz diesel vehicles from Daimler AG are being recalled in order to decrease emissions. The recall is slated to cost Daimler AG over \$250 million.
- Private equity firm KKR, owner of Toys R Us, reached a deal to acquire WebMD for a reported \$2.8 billion. The deal is expected to be finalized in the fourth quarter of this year.

Keep reaching for your financial goals

Few things are able to motivate us like self-improvement; however, despite initial enthusiasm, our personal goals can seem like impossible challenges after just a few days.

Financial goals are particularly difficult to accomplish. Spending money is inherent in modern life, and financial goals can easily get lost in other money issues. What's worse, the feedback from financial goals is blunt and immediate. As soon as we get started, our finances begin to define our success with clear positives and negatives. Financial goals also remember our mistakes. A one-time slip-up, like a costly purchase, can disrupt progress towards a goal for months or even years.

The success of a goal often comes down to the strategies and tools used to support them, but valuable techniques are often abandoned as soon as a little bit of progress is made. Use some of these steps to help make your goals a reality:

Be reasonable – It's always important to be realistic. In regards to financial goals, it is essential. If you make your goals too extreme, you set yourself up for frustration and disappointment. It's better to have an attainable goal you can more easily reach than an impossible goal that discourages you and could lead to giving up on the goal entirely. Once you have a little success, you can raise your expectations.

Set solid milestones and celebrate them – Milestones are a fantastic way to track progress and boost your morale, but you need to make them an important part of your life. If you've made it halfway to your goal, celebrate in some way and give yourself a taste of what success will feel like. Stay positive; milestones are meant to show you how far you've come, not how far you still have to go.

Find some accountability – Telling someone else about your goals and having them check up on your progress can massively boost your discipline. Even if your confidant only asks for occasional updates, being accountable for your actions can provide a lot of encouragement to stick to your plan.

Automate what you can – Constantly trying to make the right choices can wear down your motivation. Automating your target savings or debt payments can help you avoid the potential mistakes and will allow you to save your energy for other challenges.

Break and build habits – It's often said that it takes 21 days to break a habit or build a new one. While the psychology isn't exact, it's clear that our habits are a lot easier to change than we usually imagine. If you can force yourself to stick to a plan for just three weeks, progress should become much easier.

Limit the number of goals – Reaching goals can be difficult, so don't try to accomplish several of them simultaneously. Only start one or two financial goals at a time, and don't create new ones until your current efforts have become second nature.

Bend so that you don't break – Interruptions are inevitable. Much like setting a realistic goal, it's important to have realistic expectations for your progress. If there is an unavoidable problem, adjust your goal accordingly and keep trying. Don't give up on a goal just because of an unplanned setback.

Reaching goals is a skill that takes practice and experience. In accomplishing one goal, you learn which strategies work best with your personality. Even when you fail, you've learned more about what it takes to reach success. The important thing is being willing to try again.

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