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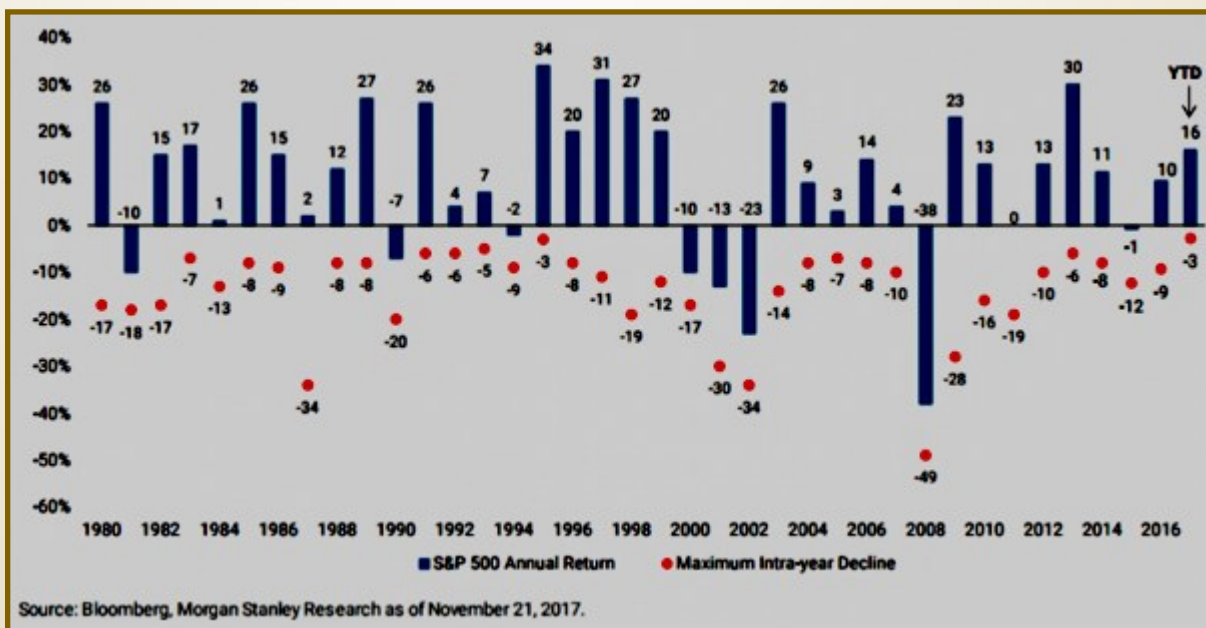
2017 In Perspective & A Look Forward

Jim's Journal

As the crystal ball in Times Square counted down the seconds to 2018, the predictions of many money managers and financial analysts fell by the wayside. At the beginning of 2017, many pundits and prognosticators felt that financial markets in both the U.S. and around the world would not repeat the strong gains of 2016. Those projections turned out to be incorrect. Despite heightened political turmoil in the U.S., Britain's Brexit issues, the never ending conflicts in the Middle East, North Korea's unrelenting and increasingly progressive missile testing, the Equifax breach and a host of other issues, stock markets around the world did very well in 2017.

Even more amazing than the positive returns of 2017 was the lack of any real market volatility or price corrections along the way. The largest drawdown for the S&P 500 in 2017 was -2.6%. Drawdown is a term used to describe a peak-to-trough decline of an investment during a specific period. Overseas markets also reflected a lack of volatility and drawdown with the

MSCI EAFE (formerly Morgan Stanley Capital International Europe, Asia, Far East Index) pulling back only -2.1%. Historically, Emerging Markets are the most volatile of the equity indices, but even they only experienced a maximum drawdown of -4.8% in 2017. The chart below reflects the maximum intra-year drawdowns of the S&P 500 since 1980. As you can see from the 2017 Year-to-Date bar chart, last year was an amazingly calm period compared to the previous 37 years on the chart. Drawdown was at its lowest in over a decade. The lack of volatility is not likely to be permanent so be prepared for more significant drawdowns in the future. Historically, 2017 is probably an anomaly and not a new normal.



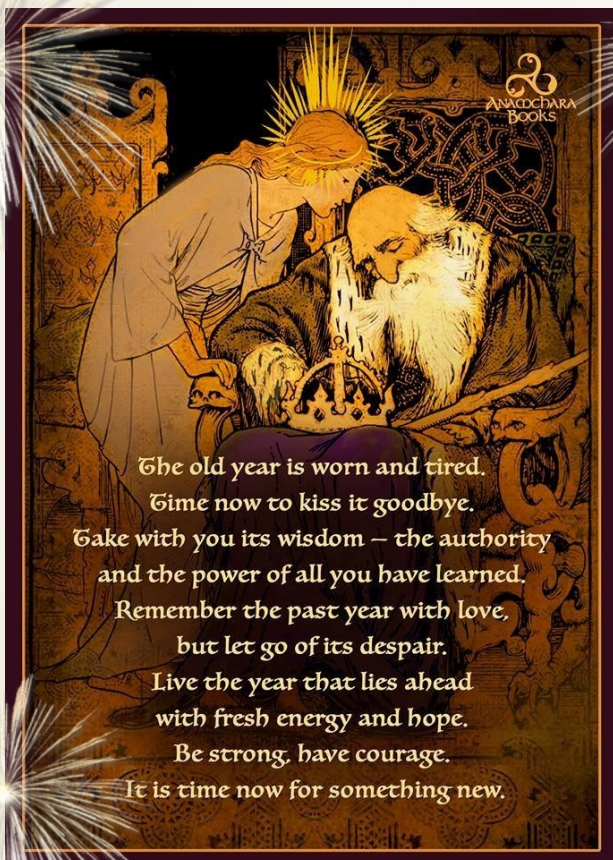
The final tally in the U.S. market and in markets around the world looked like this: The Dow Jones Industrial Average gained +28.1% for the year 2017. The S&P 500 index was up +21.8% and the NASDAQ gained +28.2%. The MSCI EAFE was up +21.8% (Source: Wall Street Journal 01-02 & 08-2018). Despite the impressive numbers for the major indexes, the Average U.S. Stock Fund lagged the major indexes by returning only +18.3%. While still a great return, this relative divergence from the major indexes was caused by some of the funds coming in well below the average. As an example, the Small Cap Value category only returned +9.0%. There can be great disparity in fund categories in any given year that can affect the average return in a big way. Individual sectors that outperformed in 2017 were: Pacific Region at +37.6 and Science & Technology at +36.9%. On the downside, Natural Resource Funds averaged -2.6% for the year. The Average Taxable Bond Fund was up +4.2% in 2017 with World Bond and High-Yield Muni Funds both up +7.8%. Being in the right fund or the wrong fund can make a significant difference in how your returns turn out for the year.

As to what lies ahead in 2018, most early predictions seem to turn out far different than what eventually happens by year end. However, the Stock Trader's Almanac "January Barometer" which has a 86.6% accuracy ratio, states that as the S&P 500 goes in January, so goes the rest of the year. As I write this newsletter, the S&P 500 is off to a fantastic start. If the upward thrust holds with only a few trading days to go in this month, 2018 portends to be an up year. That does not mean there won't be speed bumps along the way, but at least history is on our side for another good year. Only time will tell.

*Wishing you green stock screens in 2018 and a healthy, prosperous New Year.
Take good care!!!*

New Year Reflections

As has been my tradition for many years now, the January newsletter will offer an inspirational message or two that I have come across either recently or in the past. Friends and family also let me know when they see something ennobling that could be included in the January newsletter. A special thanks to Cecelia for alerting me to this year's passages. I think that many of our politicians and more than a few people on Wall Street could benefit from these instructive words.



This Year

Hang on to your truth
and respect the truth of others

Choose to be happy

Forgive those that
you can forgive
and seek the forgiveness of
someone who deserves it

Do something outside
of your comfort zone

Be the voice for someone
who has no voice

Be quiet strength

Be the type of kindness
that is strength

Remember that love
is a verb.

Choose healthy foods,
activities, and people.

Fall six times,
get up again seven,
persevere

Wish people a lovely day

Live honestly, truly,
and with integrity

As the New Year approaches,
make a daily decision to love,
to laugh, to care, to give, to share,
to live fully and alive every minute of
every day!

A merry, glorious, abundant
New Year to All!!!!

"May your walls know joy,
may every room hold laughter,
and every window open
to great possibility."

Mary Anne Radmacher

"A brand-new year...to live; to believe;
to give; to receive; to fall in love;
to share a smile; to walk an inch;
to run a mile; to dive into sunsets;
to forgive; to forget; to love where you're
going; to embrace where you've been;
to take a deep breath, close your eyes,
and begin.

May the new year be filled with love,
adventure, and dreams come true."

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