A friend, happy about the Trump victory and concomitant rally in stocks, asked me about my thoughts. After 18 months of trading within a range, narrowed down to a wedge of suspended animation which began four months prior to Election Day, stocks have been on tear. Since it was Thanksgiving eve, I thought it best to relate the current environment to his comments about *?overdoing it?* at the family gathering. The word *?overdone,?* stuck with me. So, we talked. **Wait. Why did I gorge again?** Every year at this time, hope blossoms. Perhaps it?s the commencement of fall or the holiday season. All I know is in the fourth quarter, like clockwork, there?s talk of a coiled spring of economic activity ?just around the corner.? And every year I wonder what the catalyst will be. Last December, the anticipation of Janet Yellen hiking short-term rates (which she did) and conflicting commentary about improved economic conditions spooked markets and Santa decided to skip the rally in stock prices. Again. I explained: Never underestimate the power of animal spirits. Famed economist John Maynard Keynes was the originator of the term which refers to our emotional mindset. Emotions in the short term, drive market behavior. Good or bad. Yale economics professor Robert Shiller and Nobel laureate George A. Akerlof, penned a seminal book in 2009 entitled ?Animal Spirits,? which explores the role of human psychology in markets. There?s no economic, rational theory as to why stocks have broken away from their slumber. Why they?re responding like the hunger that hits before taking that first bite of white meat. Although my friend was expecting an intellectual response for the sudden euphoria in stocks, all I had to offer my former college classmate was an answer based on my deep-rooted belief about markets and those who participate ? emotions and stories shouldn?t be discounted. They are the ice or the fire of deviations from the averages. Economists can?t wrap neat little formulas around what makes a human, human. Nothing but stories of future opportunities, aspirations, relief *(that the election has at least, concluded)*, can so dramatically, as nothing I?ve witnessed in 28 years studying markets, generate such a rotation from interest-sensitive sectors to those consider growth and *?pro-Trump,?* like energy, financials, industrials, small and mid-capitalization stocks.

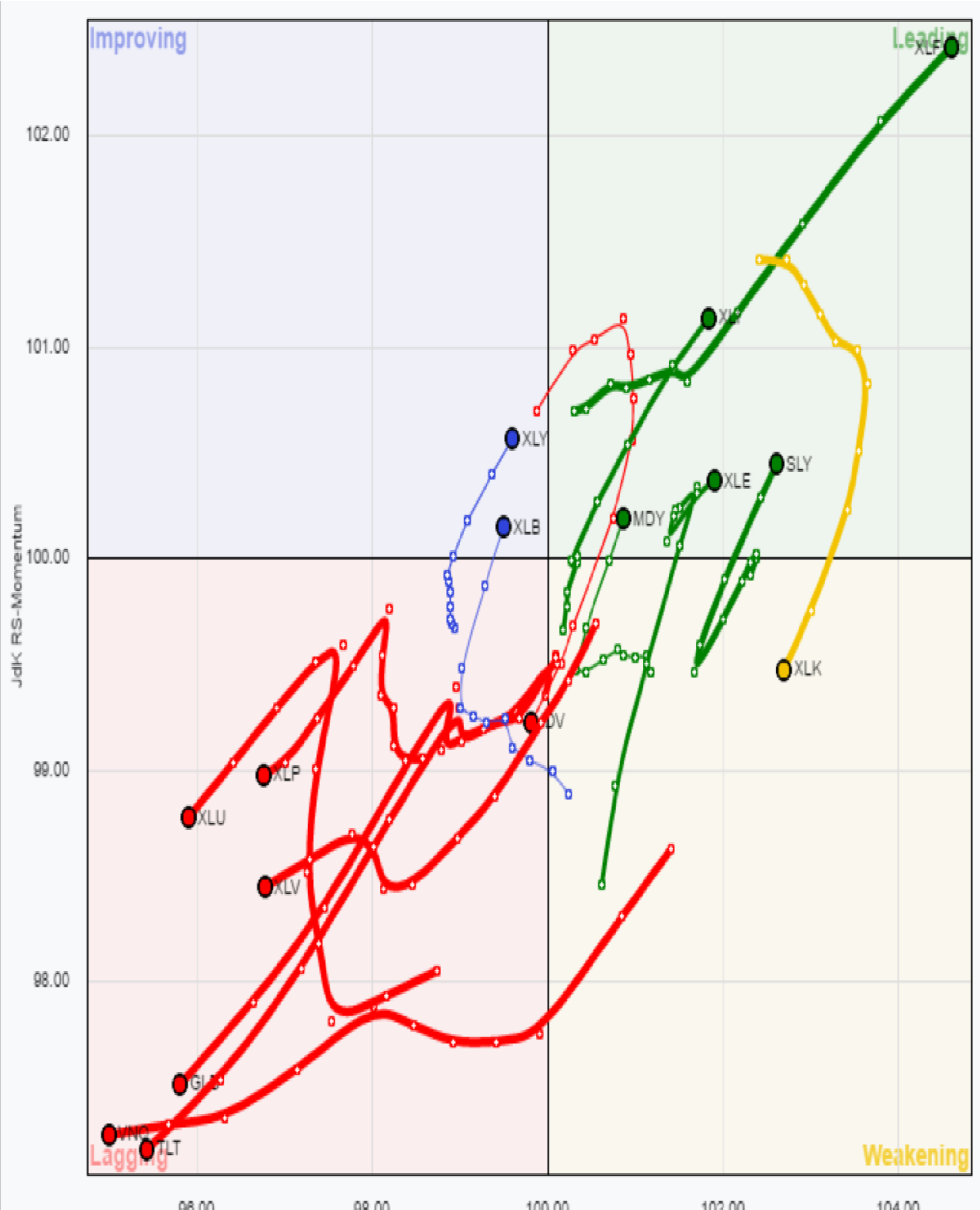

chart	visible	tail	symbol	name	sector	industry	price	%chg
	✓		XLF	Financial Select Sector SPDR Fund			22.18	14.4
	✓		SLY	SPDR S&P 600 Small Cap ETF			120.29	7.5
	✓		XLI	Industrial Select Sector SPDR Fund			62.34	8.0
	✓		XLE	Energy Select Sector SPDR Fund			70.83	4.7
	✓		MDY	SPDR S&P MIDCAP 400 ETF			297.22	5.5
	✓		XLY	Consumer Discretionary Select Sector SPDR Fund			82.53	3.6
	✓		XLB	Materials Select Sector SPDR Fund			49.41	4.4
	✓		XLK	Technology Select Sector SPDR Fund			48.07	1.2
	✓		VNQ	Vanguard REIT ETF			81.33	-8.1
	✓		TLT	iShares 20+ Year Treasury Bond ETF			122.22	-10.3
	✓		GLD	SPDR Gold Shares			113.27	-11.3
	✓		XLU	Utilities Select Sector SPDR Fund			48.27	-5.2
	✓		XLV	Health Care Select Sector SPDR Fund			69.41	-5.1
	✓		XLP	Consumer Staples Select Sector SPDR Fund			51.40	-3.6
	✓		IDV	iShares International Select Dividend ETF			28.88	-2.9
			$SPX	S&P 500 Large Cap Index			2204.66	1.8

To sound smart and flex my knowledge muscle, I explained that the U.S. economy appears to be on low simmer *(we just discussed his mother?s homemade turkey gravy)*. Wage inflation is picking up, corporate profits appear to be improving, and consumers are using credit cards to increase their standards of living. So yea, there?s the rational explanation, albeit thin (unlike that heavenly gravy). **I?ll eat more vegetables. Tomorrow.** Suddenly, bonds are as popular as over-steamed broccoli and in three weeks have become the most hated, misunderstood investments on the planet. And just like the Brussel sprouts your children refuse to eat, these 34 year bull-market darlings are a challenge for investors to digest. When in reality, bonds remain beneficial to financial wealth. The bond bears have re-emerged. With a vengeance. They?re climbing over themselves to get on television to proclaim (again) that this is the big one! (Finally, no really). Bonds are to be feared, they cry. Sort of how you would feel being in the path of my Uncle Tony when he ran to the dining-room table, ready to seize both turkey drumsticks before anybody else in the family had a chance. Bond yields are going to explode higher here, allegedly. Well, I guess it could be true. But not so fast. The rapid move higher in rates cannot expand further without, as a client so eloquently described it -?Trump rubber hitting the asphalt.? The bond market greeted the Trump win with rousing approval. However, it will require proof that fiscal stimulus promised will come to fruition before breaking out of a long-term downtrend. For now, it?s best not to panic and take knee-jerk actions out on the fixed income slice of the portfolio. Intermediate and long-term yields are set by inflation and economic growth. The recent move in bond rates is based on hope and relief. Not reality. Markets are so starved to establish the groundwork for a neutral interest rate, or a rate which meets the underlying trends in growth and inflation, that it?s prone to make massive short-term moves and ostensibly retrace them when reality hits. Think of it this way: If the neutral rate was the porridge in a nursery rhyme, it would seek to be just right. Not too hot. Not too cold. The dilemma we?re experiencing due to over stimulation by the Federal Reserve, is trying to figure out where interest rates should currently stand or be headed. What is ?just right?? I?m not saying the discovery of a neutral rate is going to be easy. What I?m saying is expect tremendous volatility along the way. However, investors must remain grounded. The truth is ? there is no trend, other than lofty expectations. Look out the window. Gain a grip. It?s still a 2%, or below-average GDP environment. For retirees and investors who are concerned about the jump in intermediate and long-term rates, keep in mind this perspective:

- ***Don?t rush to reduce the bond or fixed income allocation of your portfolio solely out of interest rate fears.*** *Most likely, the biggest move is behind us for now. The 10-year Treasury benchmark yield began the year at 2.14% and stands at 2.36%. To comprehend the velocity of the increase, consider that as recent as November 4, the yield was 1.79%. In a short period, rates moved rapidly in anticipation of President-elect Trump?s fiscal plan, which is conjecture, not fact.*
- ***Before considering a change consult a fiduciary, a financial partner who is obligated to have your best interest in mind.*** *Most likely, it isn?t a professional employed by a big box, push-a-product firm, either.*
- ***If you hold individual bonds of high quality, don?t worry.*** *Once they mature, principal is returned and of course, interest is earned up until maturity. Unless you?re seeking to sell, the price of the bond shouldn?t matter.*
- ***If you own bond mutual funds, which are likely available in your retirement plan, and fear rising rates, consider shortening duration, a measure of interest rate sensitivity.*** *The investments in your plan should reference ?short-term, low or short duration,? in the titles. If not, you?ll need to consult with your plan provider to determine if there?s a short-duration alternative.*
- ***If rates do head higher, retirees will be able to purchase fixed income instruments with greater yields*** *? a long sought after relief for cash-strapped retiree households that seek to invest conservatively.*
- ***The Federal Reserve is assured to raise short-term rates in December.*** *However, don?t believe this will translate into an increase in yields for conservative vehicles like savings accounts or certificates of deposit.*

It didn?t occur when the last rate hike was initiated in December 2015, and don?t expect it this year, either. You may see a bump in yields at virtual banks like www.allybank.com, but even that?s a stretch. Keep in mind, virtual banks are FDIC-insured but to keep overhead low, they don?t have brick-and-mortar locations. **I can?t eat like this every day.** It?s normal to worry about our health especially *after* Thanksgiving. The holiday is a free pass to overindulge (guilty as charged). Even though we are bombarded daily with ads, articles that advise us to lose weight, watch our blood sugar, exercise, it?s not the same when it comes to our wealth. When it comes to money, we?re advised by many in the financial industry, **not to worry**. Let the pros do the worrying while you sit on a beach somewhere sipping margaritas. Who falls for this stuff? Not only does this imagery makes absolutely no sense, it?s dangerous to your wealth. It?s healthy to be a bit worried about your money: Worriers save. Worriers are not afraid to ask questions. Worriers believe in risk management. Worriers pay attention. Worriers don?t overload on debt. Worriers are skeptics. Worriers survive and financially thrive. Want to know how complacent it?s gotten in the financial services industry? A recent article on Marketwatch, Worried about the Market? Take a Look at 500 Years of Financial History, caused me to take notice. Ian Fleming?s artistry with words has nothing on this story. Can you imagine a film title? ***Want to Live Forever? It?s as Easy as 5 Double-Zero.*** Although this fiction isn?t as breathtaking as a death-defying car chase out of a James Bond movie, for me the feeling was pretty close. My thought is you?ll be shaken, perhaps stirred (up) after you interpret what?s being pushed down your throat from the media now. I indulge in gallons of financial words every day, especially from full-service brokerage firms masked as warm, fuzzy financial allies when, in reality, the goal is to push investors into products and brand the action as the ?new approach? to money management. But this one? It?s like consuming a Thanksgiving Day meal. Every day. If you believe that regimen will make or keep you healthy, you?re sadly mistaken. It?s impossible to fit a finite human life?s wealth, as it flows from accumulation (where one is saving money, building careers, families) •to distribution (recreating the paycheck, living off savings, taking on a retirement lifestyle), into infinite bliss - 500 years long. This slice of quixotic money candy is too lethal to take seriously. You may have 20 years of building wealth, 25 years to spend it. Where you retire in a stock market cycle is primarily luck. Yes, luck. If stock valuations are elevated, or stocks are not valued attractively (too much price, not enough earnings), like we are now, then forward returns may be lower than average and risks higher. This cycle can be devastating in a distribution period especially if major overall portfolio losses of 10% or greater occur. In other words, losses and/or below-average portfolio returns in addition to investment distributions for living expenses, can be dangerous to portfolio longevity. A poor sequence or series of returns, especially during the first decade of retirement, can greatly reduce how long wealth lasts. That?s why distribution rates vs. portfolio returns, household inflation, and stock market cycles must be closely examined every three years to determine whether a reduction (or expansion) in distribution amounts is required. For some, that means expense reduction for at least a year or until the poor sequence of return breaks. In my opinion, the epitome of deception is E*TRADE currently endorsing this fairy-tale of an article. One of the most well-known financial firms thinks enough of this information to pay to sponsor it so it appears prominently in social media newsfeeds. The day will arrive when the animal spirits of excitement will cool. The focus will then shift from pomp to policy decisions. Or back to reality. We are coming to a crossroad where earnings growth is going to need to validate the momentum in market prices. There?s that pesky ?rubber hitting the road theme? again. As Professor Shiller wrote for The New York Times this past Sunday in The Upshot:

> *?Mr. Trump?s background evidently appealed to voters, but should be careful not to be overconfident. His election may be a culmination of a trend in society of lionizing business stars and expecting too much of them.?*

To paraphrase:

> *?Rakesh Khurana, dean of Harvard College, in his book ?Searching for a Corporate Savior: The Irrational Quest for Charismatic C.E.O.s,? discerned a long trend in American business toward choosing chief executives from outside a company and paying them handsomely for some presumed business flair despite their ignorance of the long-term internal issues facing a company. Professor Khurana warned that expecting these people to perform acts of genius was asking for trouble. The charismatic outsider tends to become authoritarian, aliening others in the company. The executive?s desperate effort to live up to their promise may sometimes result in wild gambles. There are grounds for concern that President Trump could be this kind of outsider chief executive.?*

Let?s revel in the market returns we?ve been given. Hey, I?m no Scrooge. There?s nothing I?d appreciate more than a December rally. However, rallies are to be monitored for reversals. It?s then the rules of risk management arise again like Ebenezer?s ghosts. And need to be heeded. Not ignored.