PREMIER FINANCIAL PLANNING, INC.
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A Registered Investment Advisor

3rd Quarter 2017 Commentary | *October 2017*

Summer Good News: The market normally does a "whole lot of nothing" during the 3rd quarter… While bonds and real estate managed small positive returns, the rest of the indices we track reported strong returns for the quarter. In fact, the Dow posted the first 8-quarter win streak in 20 years! ☺

The US Economy Continues to Ramp Up

Recently reported 2nd quarter economic data came in quite strong with GDP at 3.1%; the quickest rate of growth in two years. While momentum will likely slow a bit in the 3rd quarter due to the various hurricanes, we still expect a strong 3rd quarter as well. The labor market is considered a "robust labor market" with unemployment claims below 300k for 134 straight weeks. This is the longest stretch since 1970.

While the economy rose, the Fed's preferred measure of inflation posted its slowest pace of annual increase since November 2015. The "personal consumption expenditures" index, excluding food and energy, rose only 1.3% in the 12 months through August according to the Department of Commerce.

Early Warning that Global Liquidity May Tighten

The balance sheets of the 4 major advanced-economy central banks (the US Federal Reserve, European Central Bank, Bank of Japan, and Bank of England) have more than quadrupled since the global financial crisis due to trillions of dollars of quantitative-easing asset purchases. While weaker than during prior periods of Fed tightening, firming inflation and global growth have given the Fed confidence to continue gradually hiking its short-term policy rate. Europe's progress toward policy normalization may occur sooner than the markets anticipate although at a slower pace of normalization relative to the US.

Markets are anticipating the Fed will hike rates only twice through December 2018, instead of the 4 times the Fed projects. The Fed also announced the outline of a plan to begin shrinking its balance sheet – which implies additional tightening. Historically, the yield curve typically flattens as the Fed hikes rates and the business cycle matures, with inversions occurring prior to each of the last 7 recessions. However, the yield curve remains relatively steep, and a move toward global monetary normalization might boost longer-term rates more than usual at this point in the cycle.

Investment-grade bonds have historically offered better downside protection than stocks, even when rates were rising. This is the reason we continue to strongly recommend these types of assets in your investment portfolios and they remain a core component of your asset allocation strategy.

Sept 30, 2017 Benchmark Returns

2017	**3rd Quarter**
Large-Cap US Indices	
Dow Jones Industrial TR	4.94%
Standard & Poor's 500 TR	4.48%
NASDAQ Composite TR	5.79%
Russell 1000 Growth TR	5.90%
Russell 1000 Value TR	3.11%
Small-Cap Indices	
Russell 2000 Growth TR	6.22%
Russell 2000 Value TR	5.67%
Large Cap International Indices	
MSCI EAFE (Local Currency)	2.78%
MSCI EAFE (US Currency)	5.40%
Fixed Income Indices	
Barclay's US Aggregate Bond TR	0.85%
Citigroup World Govt. Bond	2.57%
Real Estate Indices	
Dow Jones US Select REIT TR	0.38%

** Index performance is provided as a benchmark only. The performance of your individual portfolio will vary from that of any one index. Past performance of an index is never a guarantee of future results.*
NOTE: TR=Total Return (includes reinvested dividends).

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TD Ameritrade News

Money Market Update: TD Ameritrade has updated how they handle their money market holdings. By adding one or more banks to the destinations into which cash balances are "swept", they now offer FDIC insurance on money market deposits of up to $500,000 per depositor (previously $250,000) and $1,000,000 for joint accounts.

Enclosed Investment Reports

3rd Quarter 2017 Reporting:

- *Aggregate Overview; Current Value, Asset Allocation and Performance; summarized by Portfolio and Combined Portfolios, as applicable*
- *Holdings Analysis by Account; summarized by Asset, Account and Asset Allocation*
- *Statement of Fees* for the 4th Quarter 2017 (based on 09/30/17 values)
- *Disclosure Statement*

Please remember that this investment reporting is for informational purposes only and you should also refer to the investment statements you receive from your brokerage custodian.

As always, we appreciate your continued confidence and trust. Should you have any questions or concerns, please contact us.

Best regards,

Patricia C Patterson

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