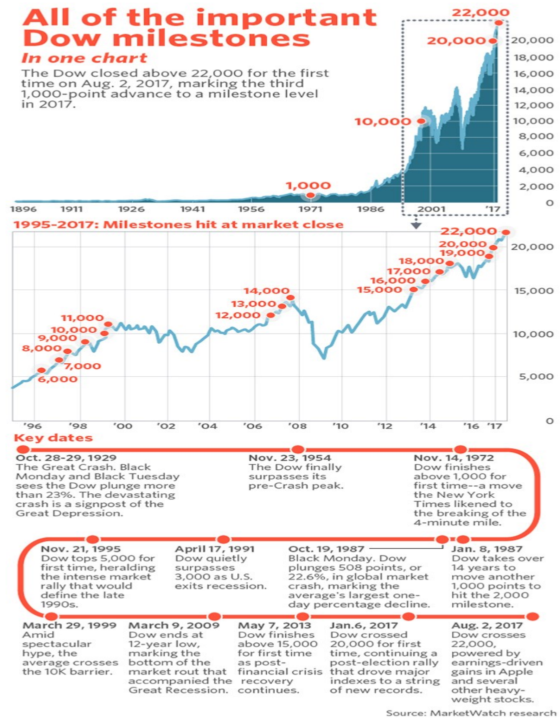
Stonebridge Market Wrap

August 4, 2017

For the week ending August 4, 2017

Take a few minutes to peruse the chart at the right. Since 2013 there have been eight times we have added another thousand point new high. To long time investors it seemed to be a miracle that we crossed the 5,000 barrier in 1995, never mind the 10,000 mark in 1999. Those barriers seem quaint when compared to today's lofty heights of 22,000 Dowland. It took years (18 to be exact) before the Dow could convincingly take out the 1000 level first reached in 1965.We had attempts; 995 in 1969, 1087 in 1973, 1026 in 1976, and 1031 in 1981 before that level was taken out in 1982 on its way to a 1300 top in 1984. Similarly we got stuck at the 10,000 mark from 1999 until 2006 when we topped 14,000. Will we be sidelined after crossing the 20,000 mark? It helps to note that the 1000 point move from 21,000 to 22,000 was only a 4.5% move whereas the move from 11,000 to 12,000 ws 8.3%. My hunch here is that we move higher. If the economy, jobs and earnings are pointing higher then so is the market. Can it have a 10% correction? Sure that can happen at any time, like an afternoon thunderstorm. You would not sell your cabin because it rained and you should not sell your stocks because of a correction either.



David A. Eckenrode
Director of Equity Management

Key Economic Releases for the coming week:

Thursday, August 10th:
- PPI; .1% expected
- Core PPI; .2% expected

Friday, August 11th:
- CPI; .1% expected
- Core CPI; .2% expected

Index & Price Changes for week ending 8/4/17	
DJIA– 22,092.81	Rose 262.50 points
NASDAQ– 6351.56	Fell 23.12 points
S&P 500– 2476.83	Rose 4.74 points
S&P Small Cap 600– 854.60	Fell 10.40 points
90 Day T Bill– 1.07%	Yield Fell .01%
2 yr TSY– 1.35%	Yield Fell .01%
5 yr TSY– 1.82%	Yield Fell .01%
10 yr TSY– 2.26%	Yield Fell .03%
30 yr TSY– 2.84%	Yield Fell .06%
Oil- $ 49.46*	Rose $3.51 per barrel
Gold- $ 1264.20*	Fell $11.40 per oz.
Unleaded Gasoline*-$1.64	Rose $.07 per gallon
Euro- $ 1.1781	Fell $.0025 against the $

** Wholesale price for NY Mercantile Exchange traded contract*

2550 University Avenue West, Suite 180 South, St. Paul, MN 55114
830 East Front Street, Suite 300 Traverse City, MI 49686
www.stonebridgecap.com
Fax: 651-251-1010 Phone: 651-251-1000
Fax: 231-933-0628 Phone: 231-933-0320
Toll-free: 800-317-1127

Don’t Even Think About It

For a while now I have been hearing commercials exhorting the listener to invest in gold which in and of itself is fine. You can have an argument whether gold is an investment or a speculation which is appropriate. There are commercials inveighing the listener to invest your IRA in gold and one is saying you can hold that gold yourself. You can buy coins that you can run through your fingers “Scrooge McDuck” style. This has a certain appeal to a segment of the investing public I am sure. Coins would be something tangible unlike stocks and bonds which are for the most part entries on a ledger at your custodian. Should anybody consider investing their IRA in tangibles that you can hold? In a word, no.

If you were to do so and take possession of your gold the IRS could consider it a distribution and charge taxes and a penalty if you are under 59 ½. Why you ask? Simple. The regulations call for IRA assets to be held by a qualified custodian such a bank or brokerage firm. If it were not so how could the IRS know where the assets are and what the tax deferred IRA was worth? Remember, it is the IRSs’ job to collect taxes on retirement plan distributions, and they mean business.

Take the subject of the paper trail of IRA transfers and distributions. When you transfer an IRA the custodian issues you a 1099R showing the amount of the distribution. The firm that is receiving the funds then issues a form 5498 showing the receipt of the funds. The dollar amount matches up and voila you owe no tax. In the case of the transfer of your funds to yourself who would issue the 5498? You? Your brother in law? Actually, there is a way to do this kind of thing and it involves setting up an LLC to hold the gold in a safety deposit box and doing all of the paperwork to satisfy the IRS regulations. I suppose you could try it but if challenged I think this could expose the IRA to be taxed and penalties to apply.

One of the basic features of the prohibited transactions rule is that your IRA assets cannot be used to benefit you in any way outside of their role as an asset of the IRA. That is why you cannot use them as collateral for a loan for example. Other uses that are a no-no include buying an antique car that sits in your garage, a Picasso that is in your living room or a vacation property.

In short, it is not worth it to try and finagle your retirement assets past this rule. It could cost you half of your assets if the guys on the radio are wrong. Don’t even think about it.

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