Demming
Financial Services Corp.

David W. Demming CFP®
David W. Demming Jr. CFP®
Karen Bordonaro CFP®
Patrick Justice CFP®

July 2017

3rd Quarter

Special Notes…

As a friendly reminder, for your protection, it is now our policy that any **requests** for funds sent to us via email **will also be confirmed by phone**.

Please be sure to let us know if there are any changes to your contact information (address, work address, phone number, email, etc.)

Please be sure to send us a copy of your 2016 tax returns as they are completed to **info@demmingfinancial.com**

Also, please be sure to check out our website at www.demmingfinancial.com!

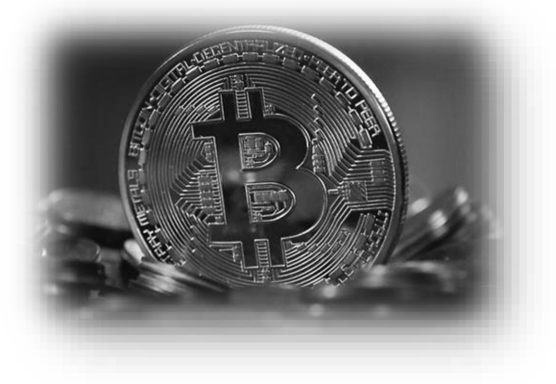
Crypto-Bubble

One candidate for the greatest bull market run in financial history is the recent run-up in price of the Bitcoin—the crypto-currency favored by international arms dealers and drug cartels, but also gaining acceptance at some retail locations. The so-called "internet of money" is not backed by any government, which its promoters say is a good thing, because the currency is not subject to QEs or over-caffeinated printing presses in Washington, Brussels or Tokyo.

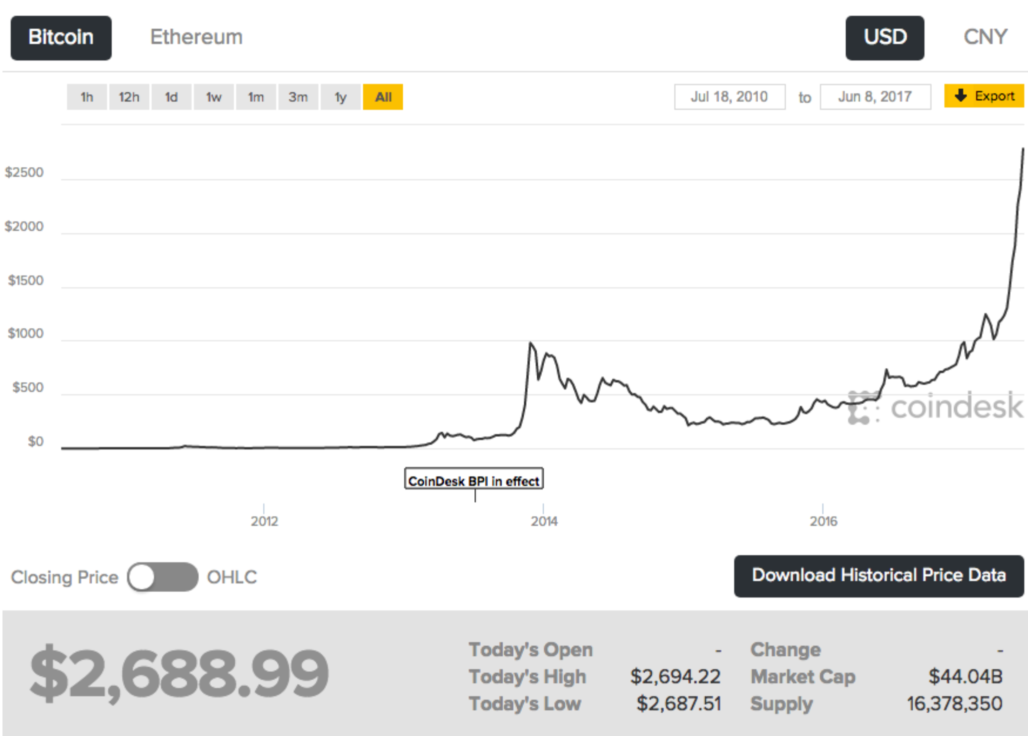
"COULD YOU GIVE ME THAT IN DOLLARS, QUARTERS, DIMES, NICKELS AND BITCOIN? I'M TRYING TO DIVERSIFY MY PORTFOLIO."

Of course, these are not actually coins; the currency exists in "wallets" that are tracked through a global system that updates everyone's holdings; your "wallet" is on your computer, and sophisticated computers can "mine" new "coins" by solving complex algorithms that also help keep the money tracked. In the early days, there were lurid stories of peoples' wallets getting hacked, but the crypto-processing seems to be safer now.

As recently as 2011, you could have bought any number of bitcoins for practically $0. In fact, seven years ago, a programmer spent 10,000 bitcoins to purchase two Papa John's pizzas. Today, a single "coin" is selling for $2,690.14, no doubt causing the programmer to wish that he'd held onto his coins for a few more years. But as you can see on the chart, the ride for bitcoin holders has been bumpy, and much of the price run-up has been recent. If you've ever experienced a market bubble, you know this is what they look like.



But why would the price ever drop? For one thing, the Bitcoin currency now has crypocurrency rivals, among them a similar technology and market system called Ethereum. For the first time, Bitcoins actually make up less than 50% of the crypto-marketplace. For another, costs per transaction—which are supposed to be zero—have risen to an average of $4.75, and it sometimes takes a month for the transaction to settle.



Beyond that, there's a long-running dispute between the developers of Bitcoin who process transactions and the "miners" who create the coins, which doesn't look likely to be settled any time soon. It's been speculated that Bitcoin will split into two factions, which users will have to choose between. A possible glimpse into the future happened when a new startup called Coinbase was touted as the marketplace that would finally bring Bitcoin to the mainstream. Coinbase was backed by the New York Stock Exchange. After considering its options, Coinbase decided to create a new currency alternative to Bitcoin, called Token—which will be built on Ethereum technology.

The conclusion: This is not a bandwagon you want to jump on at current prices

Article Courtesy of: Bob Veres

The Keys to Connecting

How well do you connect with other people in informal social occasions? If you tend to be shy or awkward at cocktail parties or networking events, it can be bad for your career and rob you of connection with others who might become friends or mentors.

Fortunately, there's a solution. Researchers have shown that there's a fairly reliable way to make small talk and connect with others. Best of all, anyone can master it.

The solution is: whenever you encounter others who you think might be interesting, focus on the other person rather than yourself. Many people make the mistake of trying to entertain instead of connecting, on the assumption that your personality or your wit is the value you bring to parties. But actually, what most people crave is an audience.

The key here is to ask questions that will prompt the other person to share something about him/herself. A recent online article in Medium offers 49 questions you can pose to someone you meet for the first time, although some of them might not be ideal for the shy or easily embarrassed. ("Are you scared of death?" doesn't sound like the ideal ice-breaker for many of us.) But others are creative and have the potential to lead to a fun conversation. Among the best:

1. *What would you be most likely to volunteer for?*
2. *What are you looking forward to in the next few weeks?*
3. *Do you like to cook? What's the last thing you cooked?*
4. *If you didn't live here, where else would you choose?*
5. *When do you know you've reached adulthood? What makes an adult an adult?*
6. *Do you know your Myers-Briggs personality type? What are your thoughts on personality assessments?*
7. *What kind of music do you listen to when you need to amp yourself up and get things done? How about when you want to mellow out?*
8. *What excites you these days?*
9. *When was the last time you laughed really hard? What were you laughing at--or whom were you laughing with?*
10. *What are three words your friends would use to describe you?*
11. *What makes you feel appreciated and loved?*
12. *What do you think makes a good friend?*
13. *Do you like to cook? What's the last thing you cooked? Or was cooked for you?*
14. *If you didn't live here, where else would you choose?*

But the questions themselves are not the entire key; it's also important to ask follow-up questions. Many times, in conversation, we wait impatiently for another person to finish talking so we can interject our own answer. If you continue to probe for the other person's view, rather than jumping in to share your own, people will respond more favorably and open up to a deeper conversation. Don't make the conversation too weird by turning it into an interrogation; make sure you insert thoughtful follow-up questions, which make the conversation more fun for the other party.

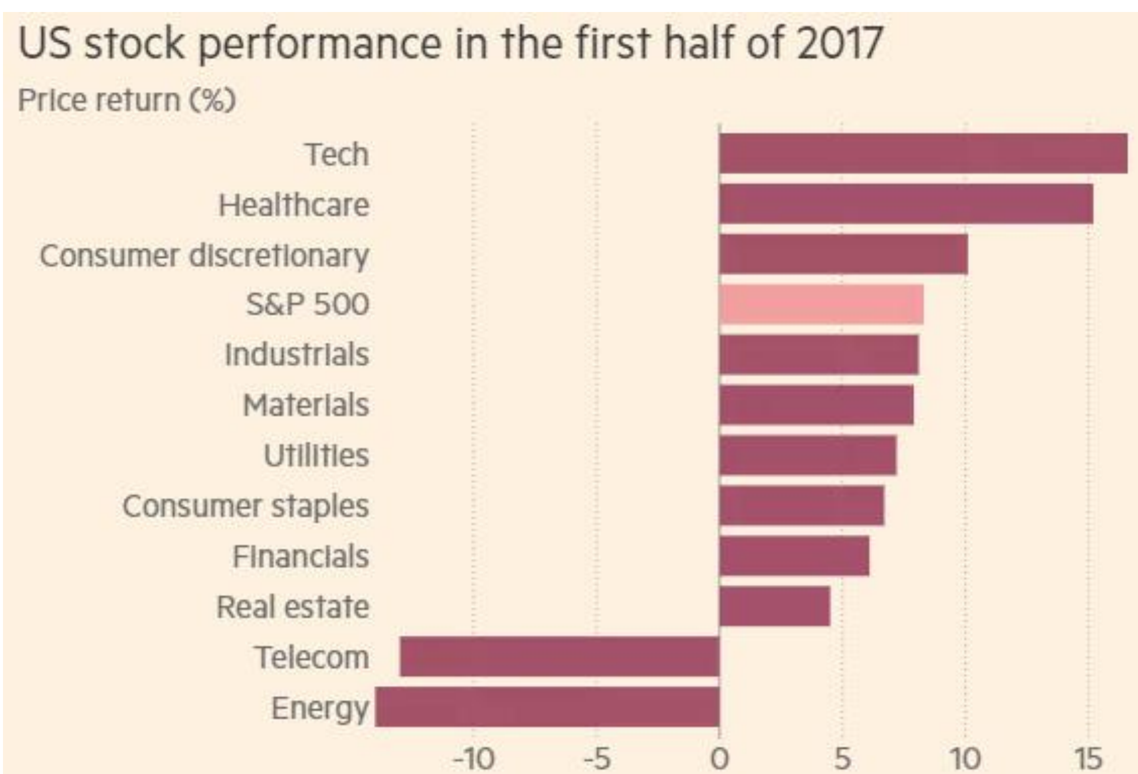
And because everyone has access to information and insights that we've never encountered, think of the things you'll learn that you might have otherwise missed at social gatherings. Don't worry about impressing the other person. You just have to listen.

Article Courtesy of: Bob Veres

2017 Second Quarter Report

The U.S. stock market has more than tripled in value during the run up that started in March 2009, and the most recent quarter somehow managed to accelerate the upward trend. We have just experienced the third-best first half, in terms of U.S. market returns, of the 2000s.

The Wilshire 5000 Total Market Index—the broadest measure of U.S. stocks—rose 2.95% for the quarter, finishing the first half of the year up 8.73%.



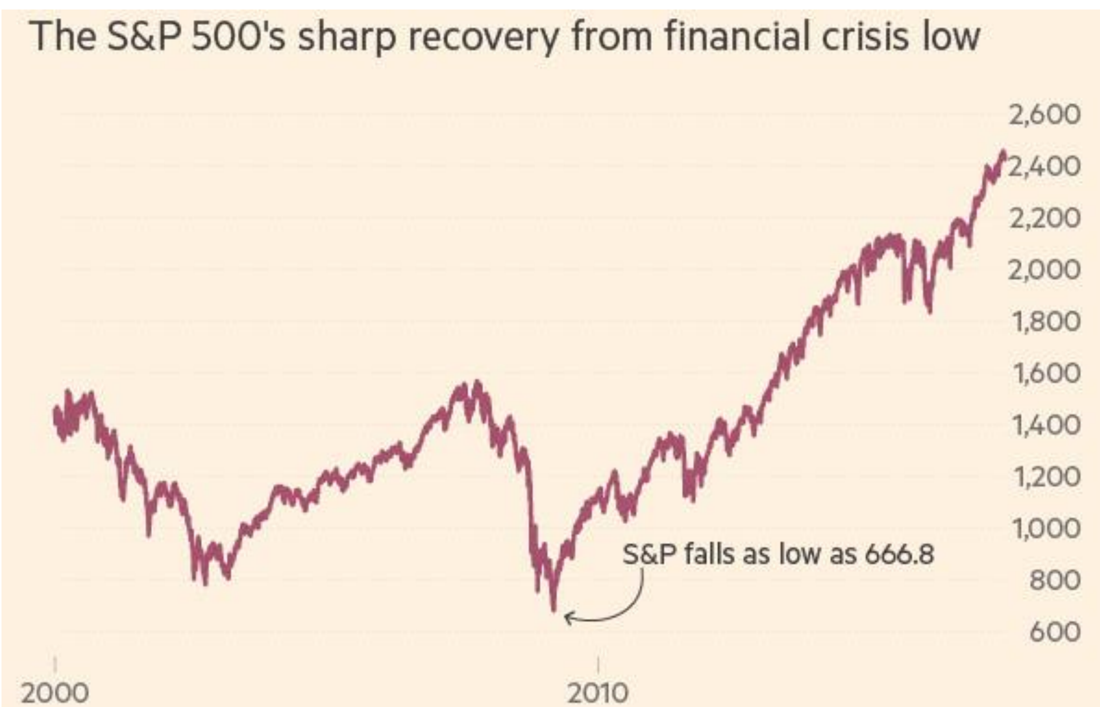
Looking at large cap stocks, the Wilshire U.S. Large Cap index gained 3.08% in the second quarter, to stand at a 9.27% gain for the first two quarters. The widely-quoted S&P 500 index of large company stocks gained 2.41% for the quarter and is up 8.08% in the first half of 2017.

As measured by the Wilshire U.S. Small-Cap index, investors in smaller companies posted a relatively modest 1.65% gain over the second three months of the year, to stand at a 3.95% return for 2017 so far. The technology-heavy Nasdaq Composite Index broke the 6,000 barrier in April, rose 4.18% for the quarter and is up 14.14% in the first half of the year.

International investments are finally delivering returns to our portfolios. The broad-based EAFE index of companies in developed foreign economies gained 5.03% in the recent quarter, and is now up 11.83% for the first half of calendar 2017. In aggregate, European stocks have gone up 14.49% so far this year, while EAFE's Far East Index has gained 10.45%. Emerging market stocks of less developed countries, as represented by the EAFE EM index, rose 5.47% in the second quarter, giving these very small components of most investment portfolios a remarkable 17.22% gain for the year so far.

Looking over the other investment categories, real estate, as measured by the Wilshire U.S. REIT index, gained 1.78% gain during the year's second quarter, posting a meager 1.82% rise for the year so far. The S&P GSCI index, which measures commodities returns, lost 7.25% for the quarter and is now down 11.94% for the year, in part due to a 20.43% drop in the S&P petroleum index. Gold prices are up 7.69% for the year, and silver has gained 3.28%.

In the bond markets, longer-term Treasury rates haven't budged, despite what you might have heard about the Fed tightening efforts. Coupon rates on 10-year Treasury bond rates have dropped a bit to stand at 2.30% a year, while 30-year government bond yields have dropped in the last three months from 3.01% to 2.83%.



By any measure, this represents a strong first half of the year, driven (as you can see by the graph) by the S&P 500 tech sector, biotech firms and information technology companies generally. What is interesting is that investors appear to be flooding into these business categories because they are the ones most likely to grow their sales even if the economic environment were to turn sour—which suggests a growing bedrock of pessimism about future economic growth among seasoned investors.

Is that justified? Economic growth was admittedly meager in the first quarter—U.S. GDP grew just 1.4% from the beginning of January to the end of March, a figure that was actually revised upwards from initial estimates of 0.7%. That represents a slowdown from the 2.1% growth in the fourth quarter of last year, when the country was being managed by a different Presidential Administration. It might be helpful to note that the budget proposals floating around Washington, D.C. make the optimistic assumption of an economic growth rate of 3.0%. If the economy fails to achieve that rate, then watch out for a significant rise in the federal deficit.

There is room for hope. The Atlanta Federal Reserve recently forecasted that the U.S. economy will grow at a 2.9% rate for the year's third quarter. We won't have definitive evidence of that until sometime in October, but our fingers are crossed. More good news: the unemployment rate is at a near-record low of 4.7%, and wages grew at a 2.9% rate in December, the best increase since 2009. The underemployment rate, which combines the unemployment rate with part-time workers who would like to work full-time, has fallen to 9.2%--the lowest rate since 2008.

Meanwhile, the energy sector, which was a big winner last year, has dragged down returns in 2017. This proves once again the value of diversification; just when you start to question the value of holding a certain investment, or wonder why the entire portfolio isn't crowded into one that is outperforming, the tide turns and the rabbit becomes the hare and the hare becomes the rabbit. If only this were predictable.

There are many uncertainties to watch in the days ahead. The U.S. Congress is still debating a health care package, and has promised to revise our corporate and individual tax codes later this year. There's an infrastructure package somewhere on the horizon, and perhaps a round or two of tariffs on imported goods. Inflation often follows when the Fed raises rates, but we don't know if or when the Fed will do that, or by how much.

Meanwhile, the current the bull market is aging, and as you can see from the accompanying chart, the run up has lasted for longer than anybody would have expected when we came out of the gloomy period after the 2008 crisis. Inevitably, we are moving ever closer to a period when stock prices will go down. That day cannot be predicted in advance, but it is always good to spend a moment and ponder how much of a downturn you would be comfortable with when markets finally turn against us. If your answer is less than 20%, or close to that figure (which is the definition of a bear market), this might be a good time to revisit your stock and bond allocations.

On the other hand, if you're not fearful of a downturn, then the next bear market will be a terrific buying opportunity for all of us.

Contact Us

Demming Financial Services Corp.

David W. Demming CFP®

David W. Demming Jr. CFP®

Karen Bordonaro CFP®

Patrick Justice CFP®

13 New Hudson Road
Aurora, OH 44202

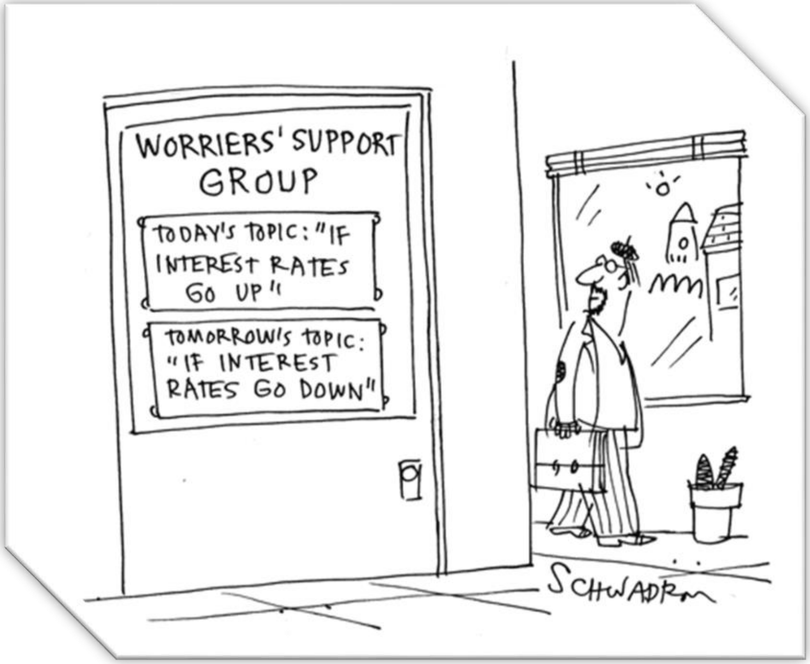
Phone: (330)562-2122
Toll Free: (877) 841-2122
Fax: (330) 562-6086
Email: info@demmingfinancial.com
Web: www.demmingfinancial.com

Sources:

http://www.coindesk.com/price/
http://www.cnbc.com/2017/05/22/bitcoin-price-hits-fresh-record-high-above-2100.html
https://www.forbes.com/sites/laurashin/2017/06/07/bitcoin-is-at-an-all-time-high-but-is-it-about-to-self-destruct/?utm_source=TWITTER&utm_medium=social&utm_content=929485744&utm_campaign=sprinklrForbesMainTwitter#4fa5a25dcb31

https://www.inc.com/jessica-stillman/15-questions-that-are-way-better-than-what-do-you-do.html?sf94044626=1
https://medium.com/@shareablelife/49-questions-to-ask-instead-of-what-do-you-do-cad6ed39817a http://nymag.com/scienceofus/2017/06/people-will-like-you-more-if-you-ask-them-questions.html?utm_campaign=sou&utm_source=tw&utm_medium=s1

Wilshire index data: http://www.wilshire.com/Indexes/calculator/
Russell index data: http://www.ftse.com/products/indices/russell-us
S&P index data: http://www.standardandpoors.com/indices/sp-500/en/us/?indexId=spusa-500-usduf--p-us-l--
Nasdaq index data:
http://quotes.morningstar.com/indexquote/quote.html?t=COMP
http://www.nasdaq.com/markets/indices/nasdaq-total-returns.aspx
International indices: https://www.msci.com/end-of-day-data-search
Commodities index data: http://us.spindices.com/index-family/commodities/sp-gsci
Treasury market rates: http://www.bloomberg.com/markets/rates-bonds/government-bonds/us/
Bond rates:
http://www.bloomberg.com/markets/rates-bonds/corporate-bonds/
General:
https://www.ft.com/content/cb5b1156-5d9e-11e7-b553-e2df1b0c3220
https://wdef.com/2017/06/29/economy-grew-1-4-in-first-quarter-higher-than-previous-estimates/
http://money.cnn.com/2017/01/06/news/economy/december-jobs-report-2016/index.html?iid=EL



We at Demming Financial Services Corp. hope that you and yours have a fantastic and worry free summer!