



December 7, 2017

“A lot of people are trying to be brilliant, and we are just trying to stay rational.” Charlie Munger

2017 Review – We’ve been correcting a bit in the equity markets the last few days, but I’d have to say that 2017 has turned out to be one of the better market environments I can ever recall. There is coordinated global expansion underway and world equity markets have ticked higher in support.

Oddly, this positive outcome has transpired against what can only be called chaos in Washington, DC. Trying to absorb, synthesize, organize and report on all the disparate data points in the business and political environs is exhausting, but access to clean information and perspective is more necessary and valuable than ever in this age of information (and misinformation) overload.

As of this writing the S&P 500- the proxy for US large cap stocks- is up 19.47% for 2017, while selected global markets are up more. The MSCI Developed Market International index (which includes Germany, England, and Japan among others) is up 21.98% so far in 2017 and the MSCI Emerging Markets International Index (which includes China, India, Brazil, Russia, and South Korea among others) is up 29.94% thus far this year.

2017 has been a year when broad, often-disruptive themes have played out: Artificial intelligence/machine learning; increased adaption of autonomous and electric vehicles; data cloud and internet utility being incorporated by new applications almost daily; marijuana legalization and taxation in US states and other countries and the resulting economic and social ramifications; bricks and mortar retail being threatened by online shopping; alternative energy; the continued proliferation and influence of social media; virtual reality. Many of the leading companies’ stocks in these businesses are up 30%, 50%, 100% or more for 2017.

Support and Resistance



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The charts above show daily (l) and weekly (r) price and volume for the S&P 500 exchange traded fund SPY. Both charts show the near relentless move higher for the US large capitalization index in 2017. The blue trend lines that I've added to the right chart also show in more granular detail on the shorter-term chart on the left. Note that the index is very strong and touched the top edge or its recent price channel before pulling back these last few days. Viewed through the filter of the weekly chart, the SPY's move can be viewed for the last two and one-half years. The relative strength index (RSI) of 78 on the weekly chart indicates very strong buying momentum.



The above charts are daily (l) and weekly (r) price and volume of the 20-30 Year US Treasury bond ETF, symbol TLT. I post charts of the long government bond to keep tabs on how the bond market is assessing inflation and recession fears, in addition to tracking the bond's investment returns. 2017 has been a mildly positive year for long bonds after a weak close to 2016, but recently the long bond has been in a trading range between 123 and 127. This price range translates to an interest rate range of 2.1%-2.4% on the benchmark 10- year US Treasury over the last three months. As of this writing the ten-year US Treasury bond yield is 2.35%.

Tax Reform

The US Senate and the US House of Representatives have each passed a tax reform bill in the last few weeks. Currently the two chambers are attempting to reconcile their bills and come to a final piece of legislation. About the only thing I can say about the bills at this point is that it should be a positive for companies and thus their shareholders. There are a lot of proposed data points and the bill is being pushed through in an expedited fashion to say the least. There's not much we can do from a planning perspective until we get a bill that has been put into law. At that point we'll start devising optimal scenarios for working within the new regulations.

Game Plan

Vigilance is the name of the game as 2017 winds down. Some of our best investment themes of 2017 should carry over into 2018, but the turn of a calendar page occasionally sends markets in new directions. The upcoming Federal Reserve meeting may result in an interest rate hike- though the long end of the yield curve has not yet responded to the prospect of higher interest rates and their resulting effects on the US economy. All eyes are on tax reform and the world geopolitical situation.

TD Ameritrade 'Ticker Tape' Newsletter

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TD Ameritrade (AMTD), weekly



Home Depot (HD), weekly

Supplemental Links for Interested Readers:

Secular Bull Takes Flight: <https://goo.gl/2xGj2x>

North Carolina Heads the Best States for Business: <https://goo.gl/shLwLM>

Bill Sweet's Year End Tax Checklist: <https://goo.gl/grH57P>

LeBron James Plays Video Game to Learn About His Upcoming Teammate: <https://goo.gl/kgRjU8>

Revenue Streams of the Big Five Tech Companies: <https://goo.gl/hF5Nsw>

Corporate Tax Cuts Lead to Mental Gymnastics: <https://goo.gl/pBVV7V>

Josh Brown on Crypto Currencies: <https://goo.gl/A4DCRQ>

John McCain on Chaos: <https://goo.gl/WULEbn>

Bill Gates Shares His Best Advice for Students: <https://goo.gl/32BEjV>

The Rise of Luke Maye at UNC: <https://goo.gl/9HgAJW>

NASA's Stunning Earth Photos: <https://goo.gl/Enz77T>

Maison Joseph Drouhin: <https://goo.gl/4WmFVd>

Tony Bourdain on Puglia: <https://goo.gl/kJ4Dhp>

Foolproof Chocolate Truffles: <https://goo.gl/1xqV5v>

Happy Holidays 2017!

Signing off from Nags Head,

Will W. Woodard, III, CFP®

Please note that the above commentary is presented for informational purposes only.

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