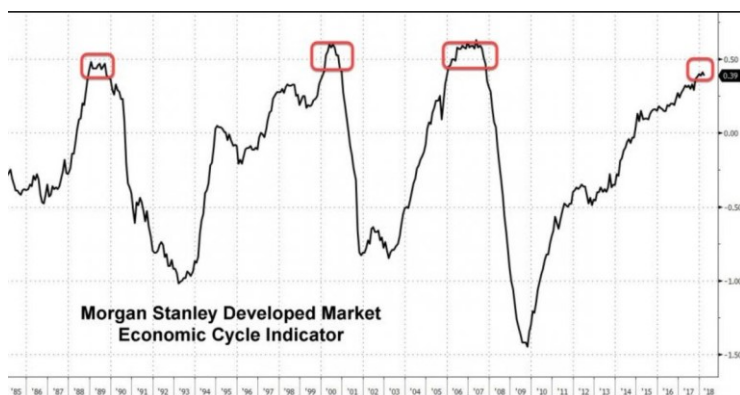


## Optimism Contra-Indicator

When it comes to investing the things that look good are typically not so good because they're already high priced. This is also true for data, when the data points to all good news and clear skies ahead, we often need to think about how this may be misleading at best. We've got a world today where the "narrative" is what people are talking about and not the common sense data. We first point you to the economic cycle indicator by Morgan Stanley. It shows us how people perceive things to be based on the data going on around them day to day. In general, when people are feeling warm and fuzzy things are more dangerous and vice versa, when things seem very dangerous and risk things are actually at their safest time.



It's pretty clear we're at around the top of the cycle for this indicator. We haven't seen this level since 2006-2007 and before that it was in 1999 and then again in the late 1980's. How ironic is it that this indicator tends to top out just when prices top out in equities? That's no coincidence either, we have correlations at play here.

Continued on page 2, Optimism Contra Indicator

### INSIDE THIS ISSUE

2. Optimism Contra(cont'd); Borrowing Binge
3. Noteworthy News; Not so Personal (cont'd)
4. \$ Quiz; Job Opening; We've Moved; Registration!
5. Inspirational Quotes; Kids Korner

## Not so Personal

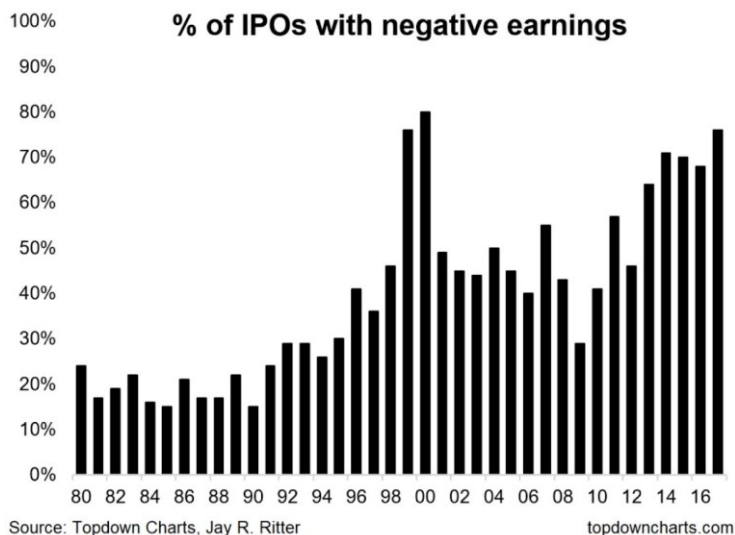
We all know to protect our data and the obvious data points that are of great value today are things that the bad guys could use to establish credit in our name, our basic identity information if we're normal, well-adjusted people who pay their bills and save money. Our most valuable asset is our credit so continue to do that, protect your data and the address is no longer relevant, but your social security number and driver's license numbers are key so don't give them to anyone unless you absolutely have to. Who do you really need to give that data to? The IRS when you file your taxes, the bank when you open accounts, financial firms when you transact business, that's about it. You do not need to give it to the doctor's office or any other service provider, they'd love to have it so they can send you to collections if you don't pay but it's absolutely not a mandatory data point they need to provide their service to you.

That is the obvious data information we must protect. Now let's move on into our digital surveillance age we live in and see what other data we need to protect and how we live our lives will determine just how much data is being recorded and kept on each of us every minute of every day. That isn't an exaggeration either, it is literally every minute of every day that you could be surveilled if you're using certain tools and gadgets.

Facebook is in the hot seat now over the data breach and allowing Cambridge Analytica to harvest personal information for 87 million users. That is a lot of people, let's just write that number out, 87,000,000. Holy cow that is huge. Amazingly that's not a large percentage of the user base of the company but it's more than a quarter of the American population. They'll kindly send the impacted users an email with details on how to protect and preserve their privacy. If you're a user of this or any other social media platform think about what they know about you. They know what you search for, they know who you are "friends" with, they know what you like, what you block, what you spend your time on. The granular data they are keeping on you allows them to create a profile of each person on the platform that is so detailed your head will spin. The game is they want to keep you on their platform for as long as possible because the longer you're on it the more than can figure out who you are and how you tick. As you peruse these platforms you voluntarily give up information about yourself and they're happy to gather it. Also realize there are sister platforms that they own that all do the same thing with different twists, but in the end they're all these "free" services meant to hook you, addict you, and pour your soul into their databases to be sold to the highest bidder.

Continued on page 3, Not so Personal

People are so happy today, that when companies are brought to the public market in IPO's (initial public offerings) they don't even need earnings much anymore to be gulped up by investors. We've been talking for some time about how earnings should matter, but they haven't. We look back at this and we can clearly see that earnings tend not to matter in certain times, we like to call these times bubble times. We're in a bubble time today where people are euphoric and it's so dangerous we cannot shout loud enough from the rooftops to warn the general public about this.



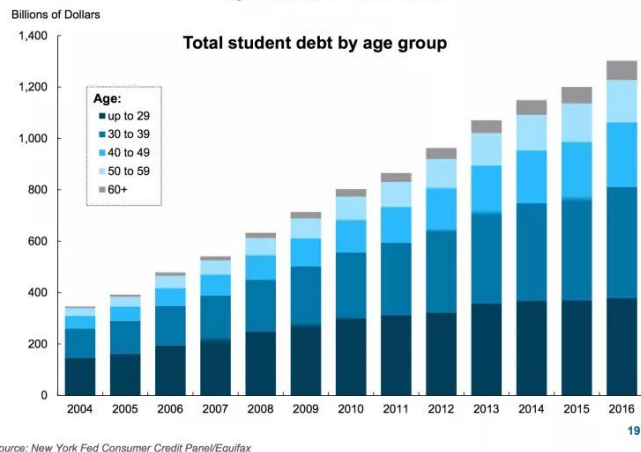
Note the last time things were this bubble-ish was in 1999 and the subsequent fall in the NASDAQ was a painful 70+%. We see today that over 75% of all companies that are being brought to market in IPO's have no earnings. Folks this is most of the new companies have no earnings, they're losing money and yet they are still bought up by investors as earnings don't matter right now in this point in time.

Let me state this as loudly as I can, shouting from rooftops and mountaintops, earnings do matter, and they matter very much. A stock is only worth the present value of its future earnings stream discounted for time and a risk free rate of return. This era may go down just like the late 1990's did, and perhaps it'll be even more exaggerated to the downside as it's been more exaggerated to the upside. The big difference is in the 90's we had only the tech sector behaving strangely and in a bubble. The global central banks of the world were not printing money endlessly like they have been now for a decade and rates were normalized but going down. Alternative monetary policy hadn't been introduced, right was right and wrong was wrong, stupidity and sloth were not rewarded, and the world was quite normal from an everyday perspective. Today so much of the world is in a bubble as the central banks goal of "inflating asset prices" not only worked, but they hit the cover off the ball. The problem is it is only for a short stint of time, none of it is durable and sustainable.

Looking back stocks are more expensive today than they have ever been based on almost every metric available. To be aggressive today in equities is sheer insanity.

The debt we're putting on our students is flat out scary. Below is the debt level by age group and note the trajectory that is sheer vertical.

### Student Debt Totaled \$1.3 Trillion in 2016, Up 170% from 2006



We wonder why this is happening and it is simply because the government has made the money too easy to get and people will borrow money at unprecedented levels to send their loved ones to overpriced colleges. The schools couldn't raise the prices as much if the loans were unavailable. How do we see this ending? In a full blown reversal at some point. We already see a large number of student loans in arrears or flat out default. This is also true in junk credit on autos at this point as well.

We simply don't learn, the same lessons were given to people in real estate in 2006-2007 and that ended in the mess of 2008 – 2009. Now we're in round two of the same lesson, different students.

We see borrowing going vertical not only in student loans, but in auto loans and credit cards. While all of this spending is going on, how are people doing in savings? Now this chart from our friends at Bloomberg tell us just how well Americans are saving.



# Noteworthy News!!!

- Congratulations to the Kolakoski family on the birth of baby Elliotte Grace, grandbaby # 4! 😊
- Our condolences to the Vander Eyk/Iffland families on the passing of Kathleen, a wonderful woman, mother, sister, grandmother, aunt, person and friend.
- Congratulations to Garry Johnson on the sale of his business and recent retirement! 😊
- Congratulations to Mike Savino on his recent retirement! 😊

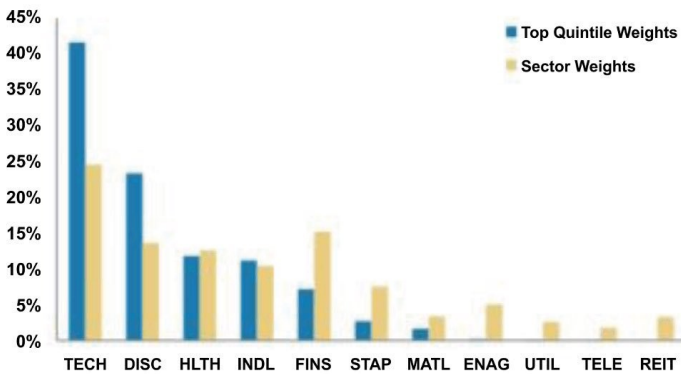
## Question & Answer

Ask any financial question you have and we'll address it here.

*Q: With the talking heads on TV and the media in general talking about the crowded trade, what exactly does that mean?*

I LOVE this, and it's popular until the music stops, the all that were dancing realize they were dancing on a glass floor in the space needle and that floor just shattered. What the reference of the crowded trade refers to is everyone is "jumping on the bandwagon" and buying the same things. This is true and we haven't seen it this ridiculous since 1999. The chart below from our friends at 13D Global Strategy & Research.

**Exhibit 6: Top Quintile T12M Momentum: Overweight Tech and Discretionary; Underweight Staples and Fins**



This chart shows us the sector weightings and top quintile weights for the market dispersion as it sits today in early 2018. We of course are after the things nobody likes, the things considered out of favor because they're cheap. Things like utilities, REITs and natural resources haven't been in favor for a long time, yet they can be had for a fraction of book value with a sustainable and reasonable dividend. It won't be long before the people who are chasing the popular issues will be selling them and looking for true value. We already own true value so that process will simply give our positions some traction and at the same time allow us to reload for what's to come as this cycle completes itself. 😊

## Not so Personal (cont'd from page 1)

The platform companies are really advertising companies today, nothing more. The largest social media company in the world earns 98.5% of its revenue from advertising, if that's not an ad company what is?

This large social networking company happens to be the 2<sup>nd</sup> largest ad company in the world, right behind the search engine giant. So again the search engine giant we almost all use daily is providing all kinds of free services, browser, email, office software, almost an endless array of software that we used to have to pay dearly for with dollars. Now we pay for these tools with our data and they advertise to us on a very granular level.

It's even applying to your smartphone as you use it daily to do your thing. There was a research project done where the cell phone had the location services turned off, the chip removed and the subject spent an afternoon running around the city. Upon return, once the phone was plugged back into a network, it had recorded granular data on the user. It knew where the user was, if (s)he was in a car, train, walking, store, sidewalk, etc. This information was garnered with the location services turned off and the sim card removed from the phone. Bottom line is you cannot hide from this invasive technology and what it records about you. On your cell phone if you're using a text messaging app that is integrated with other platforms, when you make a purchase on your credit card, if that card is registered with the platform, they will know how much you spent, at what store and at what time. This isn't a one time deal, they'll be tracking your actions and making profile on you and then sending ads to all of your devices that are so targeted your head will spin.

As you run through your day and do your thing let's just think about the things you do that are stored, permanently, on a server somewhere by a big company gathering your data for ad purposes:

- Directions – any place you searched or actually drove to they know it, date, time, speed (ugh oh! 😊) etc.
- Any voice search you've asked your phone to perform
- Any typed search you've asked your phone to perform
- Any search you've performed in your browsers
- The cell phone provider obviously knows your phone number
- They know where you go on vacation
- They know your entire search history
- They know what videos you watch and like
- They know what your music preferences are
- They know what photos and videos you take and store.

That's a lot of data you're giving away to a monster public corporation about you. I see some people who don't use much or any of these "tools" as they're just not willing to pay with the intimate details of their lives. It is a solid idea the question is can any of us "unplug" from these super convenient and useful things. The law may catch up to these guys and privacy laws allow us freedom again. Happy surfing! 😊

## Money Quiz



This month's challenge is on retail, major retailers closed how many stores during calendar year 2017? Interestingly that number is larger than any single year in the past decade, even the year of 08 and the big "crisis." Last month's quiz was won by Emily Screen, 37% of all jobs in the US require an education beyond high school. WOW! Winner goes to Ruby Tuesday on us! 03/26/18:14

## We've Moved

There is a lot going on around here at Chadwick Financial Advisors. We've been busy all around, not only serving you and navigating the macroeconomic landscape, but we've relocated one of our offices. The Torrington office has been closed and relocated to Thomaston.

Our new address is 226 South Main Street Thomaston, CT 06787

Our phone remains the same, 860 489 8880. Fax 860 673 5177.

The building in Thomaston is very similar to the one in Torrington, a classy 1900's era home that is converted into an office. Also very similarly, we are on the 1<sup>st</sup> floor and the building is on the corner of Center Street across from the firehouse. Our main entrance door is at the rear door of the building so park either on Center Street or in the parking lot behind the building and enter the building through the rear door across from the garages.

The Torrington office building is one I owned together with a dear friend of mine, John Ciesco, who owns the memorial business located at the same place. I sold my share of the building to John and he now occupies the entire first floor. We wish him well as he forges ahead with new faces.

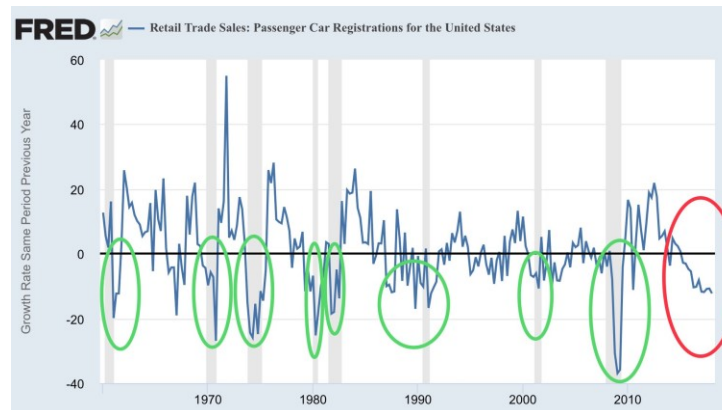


## Open Position @ CFA

If you know anyone who is looking for a front office position please think about contacting us. The person we're looking for is someone who has great people skills, is highly organized, and detail-orientated. They must be proficient with computers, Microsoft Office & CRM. We know there are plenty of great people locally who are looking for a job and it's just a matter of making the fit. We're looking for another person with high moral character to join our team!

## Car Registrations?

We do look at car registration data on a regular basis and it tells us what is going on in terms of cars being registered across the country. In another episode of backwardation for the past few years we've been seeing fewer and fewer cars being registered. That hasn't stopped the price of cars from continuing to go up, nor has it stopped the price of auto/part/distribution stocks from roaring higher. The data speaks volumes here folks and if you look back, there have been 11 significant periods since 1960 where passenger vehicle registrations have had a growth rate of less than zero. We've been here now for a few years, so the question begs, how long can the numbers appear to be slowly degrading in auto sales when the rest of the world thinks things are just rosy out there. This corresponds to the data you'll find if you do a simple online search on "automotive channel stuffing." Interesting how they just keep making them despite the fact that they're not selling that many of them.



Interesting fact is that we've been in a slow decline here for a few years, with nobody paying any attention to the fundamental data as they're just too busy looking at the headlines and political speak of the day. We've been in a world that only cares about Central Banks and political actors, but that is indeed coming to an end and the theater surrounding it will be quite dramatic.

## Inspirational Quotes

- Happiness does not come from doing easy work but from the afterglow of satisfaction that comes after the achievement of a difficult task that demanded our best, Theodore Rubin
- All great achievements have one thing in common – people with a passion to succeed – Pat Cash
- Do not dwell in the past, do not dream of the future, concentrate the mind on the present moment, Buddha
- Happiness depends on ourselves, Aristotle
- The doors we open each day decide the lives we live, Flora Whittemore
- Men easily believe what they want to, Latin Proverb



**We can piece the puzzle together and make your money work for you!**

## Kids Corner

The youth today are mired in the electronic devices. Here are some messages we should emphasize for our kids and grandkids to help make them more well rounded and less integrated to their screens:

- Read more books, magazines, newspapers, read less screen
- Write more, you can never write too much
- Practice public speaking, this means looking at human beings
- Value friendships, and a “like”, “follower” or anything else online isn’t a friend.
- Memorizing isn’t learning
- Don’t ask Google how to get where you are going
- Learn to invest wisely
- Do not fall into the consumersim out society so vehemently pushes
- You are not your job, be comfortable in your own skin
- Know when to leave
- Mind mentors in life, they’ll shape you in many ways
- Trust your gut instinct
- Solve hard problems
- Dont brag
- Don’t pretend
- Don’t sleep too much, you can sleep when you’re old and dead

If anyone you love or care about would benefit from receiving our newsletter, tell us who they are and they will be included on our mailing list. They’ll certainly appreciate you thinking about them and having their best interests at heart!

Name \_\_\_\_\_ Email \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

Name \_\_\_\_\_ Email \_\_\_\_\_

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- ❖ Family Protection Strategies
- ❖ Retirement Income Plans
- ❖ Investments & Investment Advice
- ❖ Business Protection & Succession
- ❖ Retirement Plans
- ❖ College Funding
- ❖ College Financial Aid Strategies
- ❖ Tax Savings Strategies
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## Mike Chadwick's Money Matters

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