WEEKLY MARKET COMMENTARY

For the Week of January 22, 2018

THE MARKETS

The Dow Jones surpassed 26,000 for the first time last week. Despite the threat of a government shutdown, all three major indexes ended Friday higher. For the week, the Dow rose 1.08 percent to close at 26,071.72. The S&P climbed 0.88 percent to finish at 2,810.30, and the NASDAQ gained 1.04 percent to end the week at 7,336.38.

Returns Through 1/19/18	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	1.08	5.56	35.30	17.09	16.65
NASDAQ Composite (PR)	1.04	6.27	32.42	16.55	18.54
S&P 500 (TR)	0.88	5.20	26.64	14.02	15.99
Barclays US Agg Bond (TR)	-0.44	-0.93	2.58	1.46	1.96
MSCI EAFE (TR)	1.25	4.97	29.07	9.85	8.27

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.

Bear — Marc Faber, editor of the "Gloom, Boom & Doom Report," predicted on Aug. 9, 2016, that the S&P 500 was "set to crash 50 percent." From an Aug. 9, 2016, close of 2,182, the index rose 26 percent to 2,743 by Jan. 5, 2018 (source: CNBC, BTN Research).

Time in the Market — Since 1950 (i.e., 1950-2017), the S&P 500 index has been up 54 percent of 17,110 trading days, 60 percent of 816 months, 66 percent of 272 quarters and 74 percent of 68 years. The S&P 500 consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value-weighted index with each stock's weight in the index proportionate to its market value (source: BTN Research).

Oil — With oil at $44 a barrel on Sept. 5, 2016, RBC's global head of commodity strategy Helima Croft predicted the price of oil would rise to $60 in 2017. Oil closed at $60.12 a barrel on Dec. 29, 2017, its high for the year (source: CNBC, BTN Research).

WEEKLY FOCUS – The Roth IRA Turned 20 This Month

The Roth IRA celebrated its 20th birthday this month. Although more households (35 million) own the 43-year-old traditional IRA, the younger Roth is growing faster. Nearly 22 million households now own Roth accounts.

A large segment of the latter group is made up of young investors who expect their incomes to increase over time and appreciate the fact that money they invest will never be taxed again. Pre-retirees relish the fact that Roth IRAs are not subject to required minimum distributions.

Contributions to Roth IRAs are made in three ways. The most common is a direct contribution. For 2018, maximum direct contributions are the same as 2017: $5,500 for those under 50 or $6,500 for anyone 50 or older. Contributions for 2017 can be made until April 17, 2018.

To make a direct contribution, your income must fall within limits, which are slightly higher for 2018. If you're single, you can now contribute the full amount if your income falls below $120,000. You can contribute a reduced amount if your income is $120,000 or more – provided it's under $135,000. For married couples who file jointly, the phase-out range is $189,000 to $199,000 of combined income.

The second way to contribute is by rolling a 401(k) or 403(b) plan into a Roth, often done when parting from an employer. The terms of an employer's qualified plan may restrict the ability to roll money into a Roth while still employed. There aren't any limits to the amount that can be rolled over in a given year, but you'll pay taxes when converting a pre-tax account to a Roth.

The last way to contribute is by converting a traditional IRA to a Roth. High-income earners who don't qualify to open a Roth IRA can contribute post-tax dollars to a traditional IRA and then convert it.

Owners of a traditional IRA created with pre-tax dollars will pay taxes on the amount converted. In the wake of the new tax law, it's particularly important to have adequate funds on hand to cover taxes. Prior to the law, you could undo the conversion by Oct. 15 of the following year. This strategy, sometimes called recharacterization, is no longer available for 2018.

We can work closely with your tax professional to help you determine whether a Roth IRA should be part of your investment strategy. Call our office today. Securities America and its representatives do not provide tax advice; coordinate with your tax advisor regarding your specific situation.

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* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. The Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks. NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System. The Morgan Stanley Capital International Europe, Australia and Far East Index (MSCI EAFE Index) is a widely recognized benchmark of non-U.S. stock markets. It is an unmanaged index composed of a sample of companies representative of the market structure of 20 European and Pacific Basin countries and includes reinvestment of all dividends. Barclays Capital Aggregate Bond Index is an unmanaged index comprised of U.S. investment-grade, fixed-rate bond market securities, including government, government agency, corporate and mortgage-backed securities between one and 10 years.