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REED BETWEEN THE LINES



From the Desk
of the CIO
J. Reed Murphy

How Biased Are You?

Bulls and Bears have wrestled over the impact of political uncertainty, but global economic expansion has dictated the winners so far this year. On a related note, are you wrestling with your own biases preventing you from seeing opportunities elsewhere?



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MARKET RECAP

Global equity markets finished positive for the week, remaining at or near all-time highs, while volatility remains low. In fact, this month short trades on the SPDR S&P 500 ETF (bets against the S&P 500) have fallen to the lowest levels since 2013. The continued global expansion has worn out bears and the short trade. For individual investors it's important to remain above the bull/bear fracas by focusing on long term goals and stability through diversification.

In the U.S., equity markets were pushed higher on additional robust earnings reports. Developed international markets also made gains following reports of the European Central Bank fiscal stimulus easing being pushed to October rather than starting in September.

Emerging markets provided the largest return on the week, up 1.33%. MLP investments declined while bulls and bears struggle to digest demand and supply factors. U.S. 10-year Treasury yields dropped slightly over the week, providing a modest bump in broad fixed income returns.

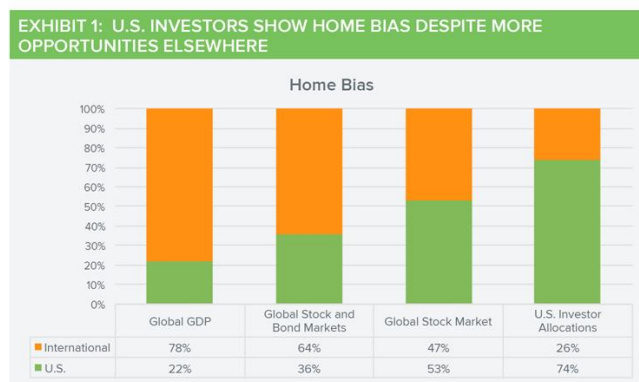
Primary Market Indices	1 Week	3 Months	YTD	1 Year
Domestic Equity (S&P 500)	0.55	5.65	11.30	15.87
Developed Non-US Equity (MSCI EAFE)	0.47	9.22	16.51	19.47
Emerging Market Equity (MSCI EM)	1.33	11.43	24.74	24.46
Real Estate (S&P US REIT)	0.75	1.17	2.03	(5.45)
MLPs (Alerian MLP)	(1.87)	(6.35)	(2.43)	(0.72)
U.S. Fixed Income (U.S. Barclays Agg)	0.56	1.16	2.93	0.16
Muni Bonds (BofA Muni 1-10Yr)	0.37	1.18	2.58	0.23
As of 7/21/2017				
Fixed Income Yield	7/21/2017	12/30/2016	7/21/2016	12/31/2015
U.S. 10 Year Interest Rate History	2.23	2.43	1.57	2.28

Source: Thomson Reuters, Morningstar

ARE YOU BIASED?

In our January commentary, we highlighted some of the Nobel Prize winning work of Daniel Kahneman regarding behavioral finance. While there are numerous – and very entertaining – concepts to consider, we highlighted recency bias, anchoring bias and familiarity bias. These three concepts manifest in a home bias to U.S. equities over international equities.

As we suggested, there are several fundamental issues to consider before making an emotional decision to abandon all international equities. The U.S. represents only approximately 22% of the world's total GDP (i.e., economy), 36% of the world's total stock and bond market combined and only 53% of the world's total stock market. However, U.S. investors allocate a disproportionate 74% of their equity allocation to the U.S.



Source: TC Wealth Partners, JP Morgan, Openfolio, IMF. U.S. market capitalization share is as of June 30, 2017. Consolidated global stock and bond market data are as of 2013. U.S. investor allocation is the total value of investments in global or domestic equity mutual funds and ETFs. Investor allocation by region is based on data collected by Openfolio. Average sector allocations at the national level are determined by looking at the sector allocations of over 20,000 brokerage accounts, and taking a simple average. Portfolio allocations are then evaluated on a regional basis, and the regional averages are compared to the national average to highlight any investor biases.

Please read our full summer [market commentary here](#) that goes into much greater detail on this home bias, international equity opportunities, the global economic expansion, the Fed's potentially market-moving activities, a market recap and the ever important portfolio implications. Plus, we provide a fun quiz to test your [market and economy knowledge here](#). Amazon's stock is worth twice as much as Walmart's, but do you know who has more employees? The answer may shock you.

ON THE LIGHTER SIDE

Speaking of bias, we are all biased. It's a common theme of author Malcolm Gladwell's writing and speaking. Bias, he argues, is omnipresent and subconsciously influences us on a range of topics. Gladwell often challenges assumptions (and biases) that have been accepted without question for thousands of years. I recently ran across a Ted Talk that Gladwell delivered that provides a remarkably different view on the story of David and Goliath. Was David really the underdog? You might be surprised. I encourage you to [listen to his presentation here](#). If you find it interesting, you may find his other work worth reading. His books include *The Tipping Point*, *Blink*, *Outliers*, *What the Dog Saw* and *David and Goliath*. Enjoy!

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