Foresight
Capital Management Advisors, Inc.

Newsletter 3Q 2016 and Market Summary

FCMA's Model Portfolios have gains through 3Q 2016 as follows:
Conservative Model +3.83%, Moderate Model +4.10%, and Aggressive Model +4.07%. The remainder of the year looks to be decent gains and smoother sail compared to the first half of the year!

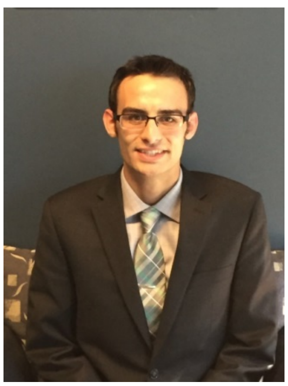
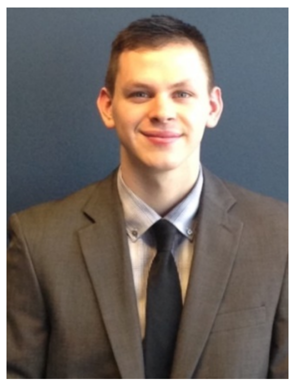
Foresight is pleased to introduce:

Our Newest Employees!

Walter Dorosh
Foresight Analyst

Justin Littleton
EMU Finance Intern

Brain Laurain
CMU Finance Intern


Recently passed the AIF® exam!

Important Web Portal Access for All Quarterly and Billing Information at Foresight

Beginning Nov 2016 all billings will be sent to the Web Portal. If you need help on how to access this information please call or email us. Beginning in Jan 2017 we will begin billing quarterly to add efficiencies to our workload.

HSAs at Foresight

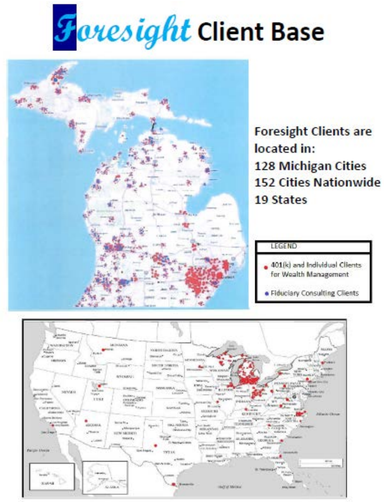
We now offer Health Savings Accounts which can be invested in our Model Portfolio strategies of Aggressive, Moderate, and Conservative. The HSA savings is a triple win for the consumer because you get to save in the HSA and get a tax deduction, then it grows tax deferred, and when you use the HSA for medical expenses it is tax free! There are also optional debit cards with our HSA program. Please call if you are interested in further details 734-429-4680.

Lunch and Learn-Go To Meeting with Foresight

The last Lunch and Learn is Monday, November 14th at 12:30. Please email us at Consulting@fcmadvisors.net if you would like to receive the invite instructions.

Foresight's Open House was held Oct 5th

Thank you to all that came and supported us for the ribbon cutting of our new office addition. We had a fun evening and the wood fired pizzas and music were definitely a hit!



FCMA Model Returns
Sep 30, 2016 YTD

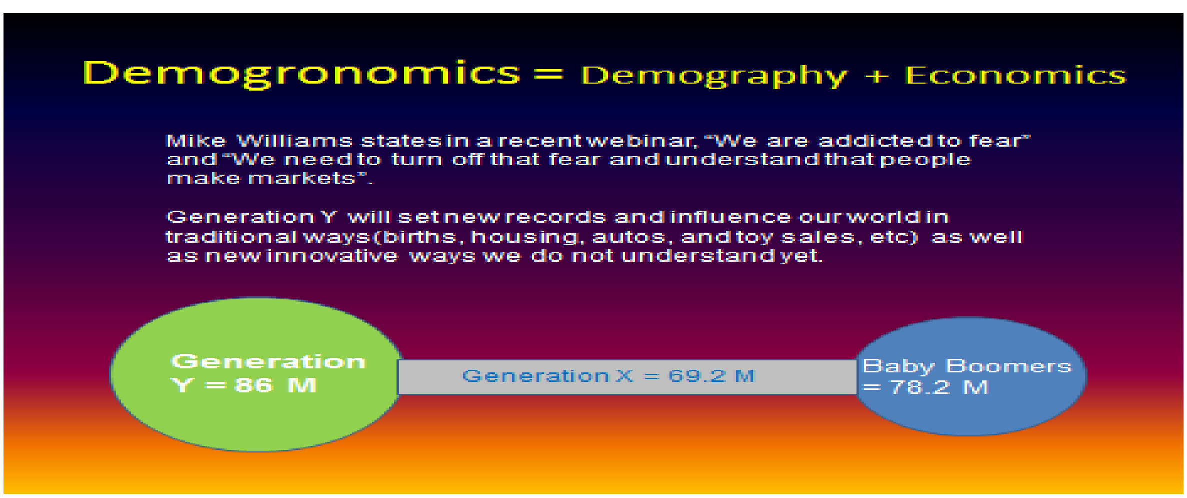
Conservative Model	+3.83%
Moderate Model	+4.10%
Aggressive Model	+4.07%
Indexes:	
S&P 500 Index	+6.08%
MSCI EAFE Foreign	-0.85%
10Yr T-Bond Index	-0.67%

Future performance is not guaranteed; above returns are 2pt actual averages

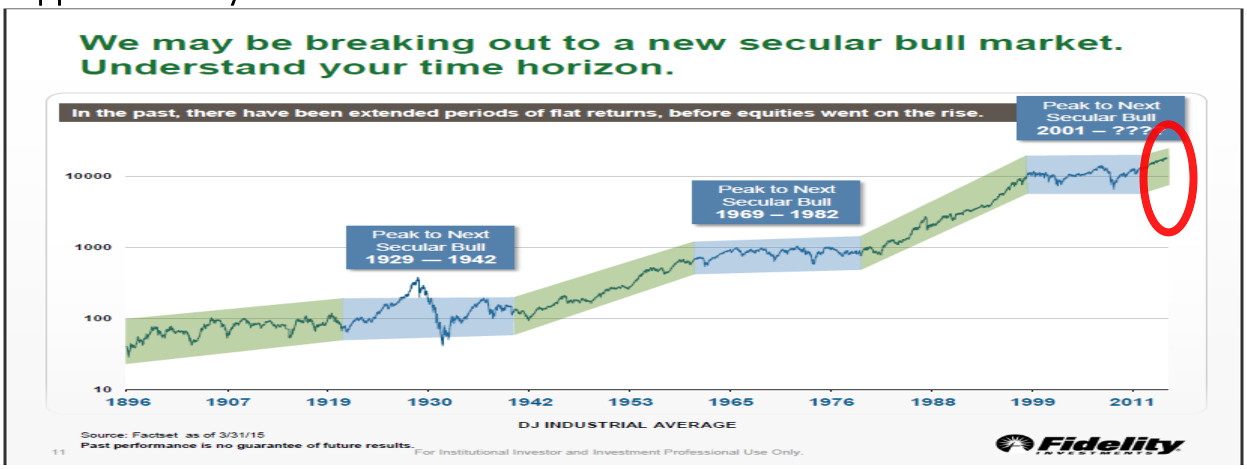
Foresight's Outlook and Portfolio Strategies

With a most unique election around the corner the US is in rather stable and solid footing despite what most citizens believe. Dr. David Kelly, Chief Global Strategist J.P. Morgan Funds, recently said in his webinar from 9/22/16, it doesn't get much better than this 5,4,3,2,1 which stands for Unemployment is below 5%, Mortgages are below 4%, Gas is below $3 per gallon, Inflation is below 2%, and Interest raises have been below 1%, You can't ask for much more to be right! The Goldilocks Economy is back. It means the economy is not too hot and not too cold.

Additionally, a demographer and world renowned researcher, Mike Williams states in a recent webinar, "We are addicted to fear" and "We need to turn off that fear and understand that people make markets". He continues to explain that there is an epic change coming from the Millennials. Its is called Demogronomics=demography + economics. Over the next 50 years as the Millennials (generation Y) enter as the largest workforce and the largest population in the US at 86 million. (baby boomers =78.2 m, and generation X =69.2 m) Generation Y will set new records and influence our world in traditional ways(births, housing, auto and toy sales, etc) as well as new innovative ways we do not understand yet. The growth that is expected is epic! He is a best selling author and his website is demogronomics.com. This further supports the secular bull market slide and discussion I explained in our 1Q 2016 newletter. See below.



Currently the world has stabilizing commodity prices and material costs are rising. This is a good sign that the industrial growth is continuing. China has quieted and remains in a growth of 6% to 7% GDP. The US $ is now strengthening against world currencies, due to Brexit, which means our exports are going to be more expensive, therefore our global companies will face some headwinds but seem to be reporting better than expected earnings thru 3Q 2016. Unemployment has decreased to 4.9% and expected to reduce lower near 4% before this bull market is complete. Lastly, the secular view of the market is noted in the chart below. It begins at 1896 and goes through to 2016. The green periods of time are segments of 20+ years and the blue segments are also 10-20 year periods of time. These are called "Secular Periods" because they are generational segments of time. The green are Secular Bull markets (market rises)and the blue are Secular Bear markets (market decreases). Note in the green Bull markets the line is not straight up but there are bumps or recessions within the larger Secular Bull market. The key is the green segment, although it has some "mild recessions", it is an overall growth period of time. This theory is also supported by Mike William's research cited above called Demogronomics!



Notice the right side of the chart is showing, since 2013, that we are likely moving into the next Secular Bull market period of 20+ years of time where the market will rise! If this plays out to be true, then the next couple of recessions will likely be mild and short lived. We need to look at them as opportunities and not panic. It is very unlikely we will see another 2008 during our life times. I hope this leaves you with a bit of comfort and something to really think about…Secular Bull Market and Demogronomics.

All this being said Foresight continues to monitor the geo-political situations and is cautiously optimistic at this point. Foresight has moved all our portfolios into a cautious lower risk allocation and we will maintain this weighting moving into the election time since the market is fully valued and reaching new highs. This is a precaution in case we experience another correction in 2016. We reduced weightings in healthcare and telecom. We have added energy and infrastructure to the portfolios this quarter. We believe these moves will maintain stability in the portfolios but allow for plenty of growth should the market continue to new highs. For clients with stock portfolios we continue to have numerous stop-losses in place as a defensive measure to hold onto gains that have been earned in the stock holdings. We expect the market to level out in 4Q and settle in for the remainder of the year. Please contact us if you have any concerns or questions about your portfolios.

Foresight Planning Ideas

New Health Savings Accounts-HSAs with Foresight at Schwab: . Foresight now offers HSA accounts for your Company or Individual HSA savings. An HSA with Foresight will allow you to choose the same 3 Model portfolios of risk either Conservative, Moderate, or Aggressive. If you have a High Deductible Health Plan then you can consider opening a HSA = Health Savings Account with Foresight. The HSA will allow you to save in 2016 up to $3,350 for single ($3.400 in 2017) and $6,750 for a family; if +55 then $4,350 for single and $7,750 for a family. The HSA savings are not subject to Federal Tax and will grow, much like a Roth IRA, with no tax due if used for all qualifying health expenses, note cannot be used to pay health insurance premiums. If you are interested in more information on this strategic investment idea for your healthcare savings please contact us. 2016 HDHP=minimum deductible for single $1,300 and family $2,600 and out of pocket maximum for single $6,550 and family is $13,100.

Foresight's New WebPortal Reporting: The Web Portal is for your protection and information security. Beginning in Nov 2016 all of our quarterly information will be sent to the Web Portal. We want our communication to be timely and beneficial to you. If you have any access issues please call or email us at 1-877-429-4690 or mgallagher@fcmadvisors.net.

Quarterly Billing beginning January 2017

Did you Know?: Foresight has written two white papers. **Low Cost Investing- The Costly Approach?** and **Target Date Funds-The Next Retirement Dilemma.** Please email us at consultant@fcmadvisors.net if you would like a copies to read.

IRS Contribution Limits for 2016 and 2017! $18,000 deferral max and for 50+ $24,000 deferral, and IRA limits $5,500 and if age 50+ $6,500.

Did you Know? If you have Roth 401(k) it is wise to roll these funds to a Roth IRA before you turn 70 ½ because if the Roth funds are left inside a 401(k) they must take RMD (required minimum distributions) just like the pre-tax funds which defeats the purpose of letting the Roth grow! However if you roll it over into a Roth IRA before 70 ½ then you do not need to take the RMD from the Roth IRA. This is a very important hint to remember!

Exit Planning Newsletter. Foresight recently launched this newsletter which features topics on business succession planning and retirement planning we can assist you with. If you would like to be added to this newsletter list or know someone who would be interested in receiving the information please contact us at consultant@fcmadvisors.net. Did you know about 75% of all businesses do not have a succession plan. Please contact us if you are interested in completing this important planning for your business. Foresight can now assist with transition planning for your business!

Did you Know?: You can take a distribution from your 401(k) or 403(b) prior to age 59 ½ without a 10% penalty; if you have separated from service no earlier than age 55. Funds must be in a 401(k) or 403(b) and cannot be in an IRA. Additionally, if you retire and wish to begin normal distributions prior to 59 ½ then a 72-T calculation can be done to allow funds to be removed from your IRA without a 10% penalty as long as you have separated from service.

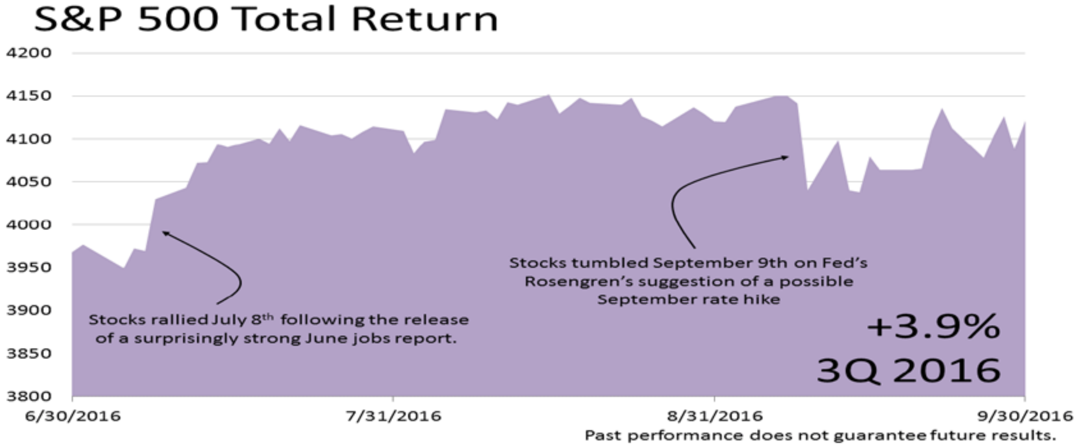
Roth IRA Ideas if interested in additional savings ideas consider opening a Non-deductible IRA. This will allow you to save the maximum in your 401(k) and also save an additional $5.5k in a Non-deductible IRA, and $6.5k if age 50+. Then convert the Non-deductible IRA to a Roth IRA! It is a way to obtain a backdoor Roth IRA funding even if you are not able to save directly into a Roth IRA.

Auto-Enrollment and Auto-Increment Options for Retirement Plans: Please consider adding both or one of these important options to your company's retirement plan. They allow every employee who is eligible to be automatically enrolled at the beginning of the year, and if Auto-increment is added the company can increase the savings of each employee by 1% each year. The employee has the ability to opt out of the "Auto", but history has shown few do. Therefore the company has accomplished something good for the employee by automatically setting up savings for their retirement! Please contact us if you are interested in pursuing these features. They are very inexpensive to amend and add to your current company plan. We recommend adding them when you renew and update your plan document which needs to be done by 2016.

Feeonlynetwork.com: Foresight is now a published advisor on-line at www.feeonlynetwork.com. This is a website to locate fee-only advisors in your communities. Check it out and see a video from the AIF® national conference when Laurie was interviewed about our investment processes at Foresight!

On-line Access each year we encourage everyone to test your on-line access to your account(s) at the custodian or third party administrator for your plan. Please visit **Journeyrps.com** or **Noblepension.com** if a retirement participant. For individual clients at TD Ameritrade access **Advisorclient.com** for Schwab Institutional Clients access **Schwaballiance.com.** If you have any difficulty accessing your account, please email or contact us.

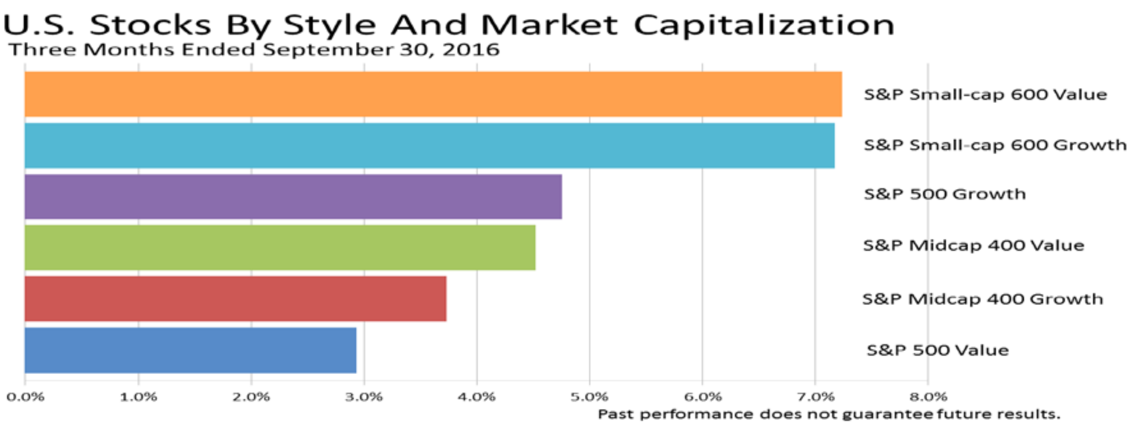
Quarterly Market Summary 3Q 2016



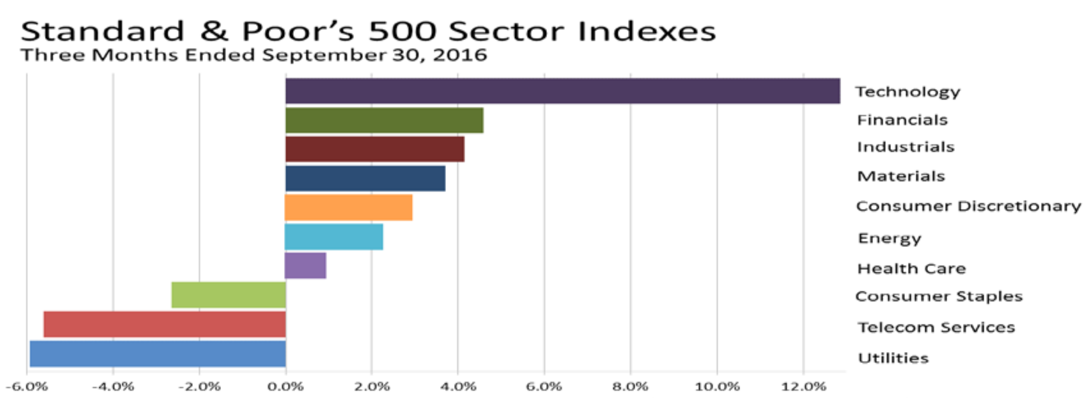
The Standard & Poor's 500 returned 3.9% in the third quarter, following a 2.5% total return in the second quarter.

Prices for a share in America's largest companies rose amid a stream of positive reports on personal income and spending, retail sales, employment, job openings, and the leading economic indicators (LEI).

Meanwhile, after a yearlong recession in earnings, a recovery in earnings on blue-chip U.S. companies is forecast for the two quarters immediately ahead by Standard & Poor's, and dormant inflation gives policymakers leeway to keep credit loose, to stimulate the slow-but-sustainable growth pace of one of the longest economic expansions of the last century.



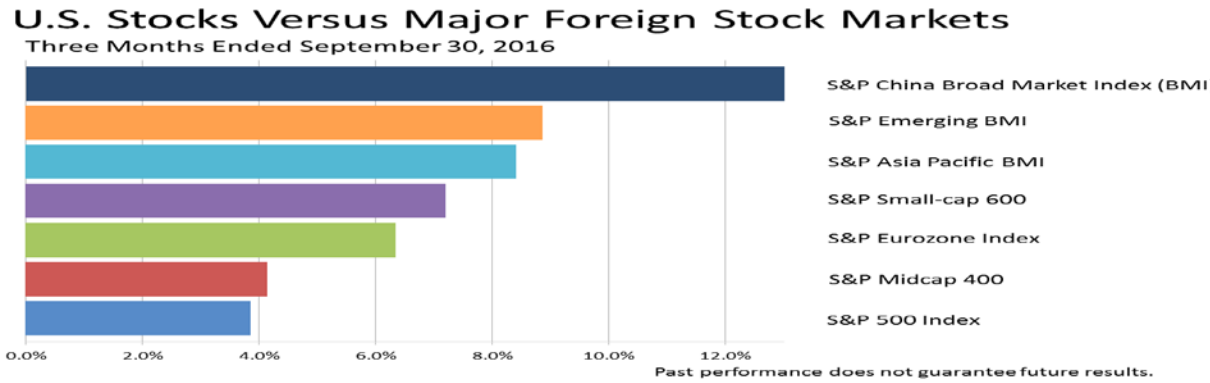
Examining the performance of the U.S. stock indexes by their market capitalization and valuation reveals a significant gap in the returns on large versus small-cap companies. Ensuring your portfolio is properly diversified begins with an analysis like this. This chart shows why rebalancing a portfolio is rational, and how it keeps you from becoming too heavily invested in any one or two asset classes that lead performance.



The technology sector stands out in this chart of the performance of the 10 Standard & Poor's industry indexes in the quarter.

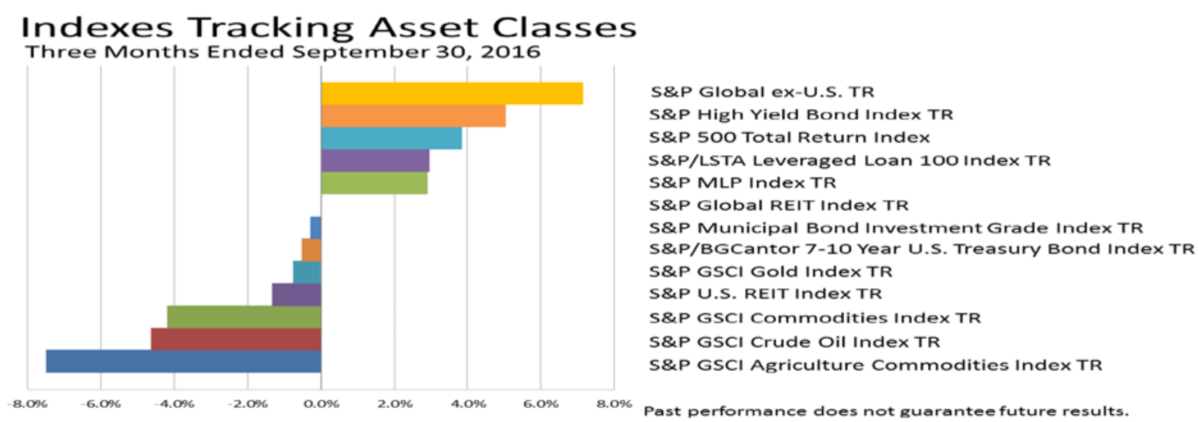
Following 18 months of going sideways, the S&P 500 rewarded risky tech stocks almost threefold over the 4.6% return of the runner-up financial companies. Who could have predicted that? No one. Which is why strategically managing a portfolio is important.

Shares in industrial and materials companies rallied in the third quarter. Investors liked bid-up prices amid a steady drip of positive economic data. Not surprisingly, defensive and interest rate sensitive – telecom services and utilities – lagged.



In the three months ended September 30, 2016, China, Emerging Markets, Asia Pacific, and the Eurozone all outperformed the U.S. stock market. It was the third consecutive quarter in which U.S. stocks lagged. It's not a bad thing. The U.S. stock market is up and global markets are catching up after lagging the U.S. for years.

Large publicly held U.S. companies were the leaders among world regional stock indexes quarter after quarter since the U.S. economic trough of December 2007 and the global financial crisis it precipitated. The global expansion, a source of consternation earlier in the year, is showing new signs of growth, and sentiment improved globally.



In the quarter ended September 30, 2016, the global stock market index that excludes U.S. stocks rallied 7.2%. Global economic data eased fears of a global slowdown.

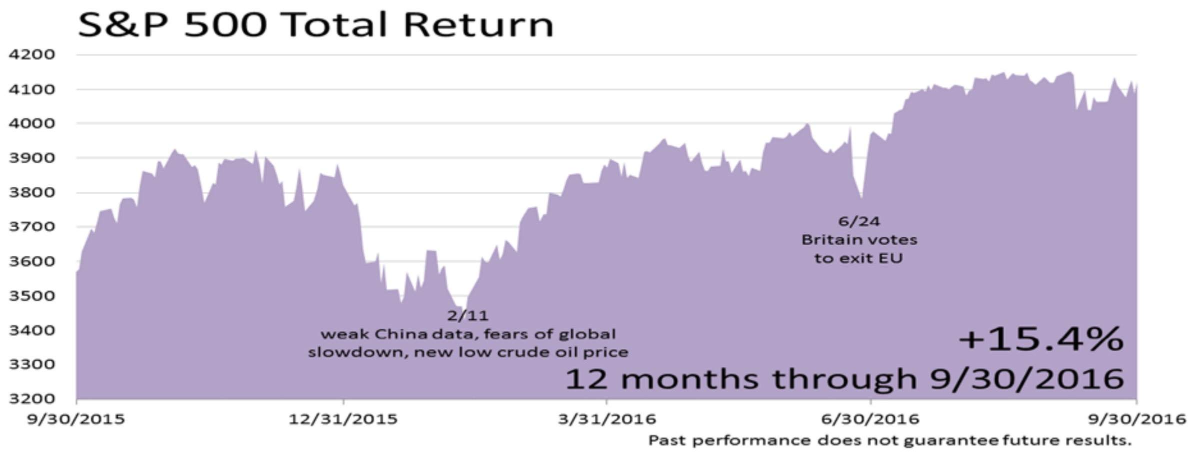
No. 3 on the list of best-performing assets was the S&P 500. Major metrics of the U.S. economy are good. With inflation dormant, the Fed reaffirmed the likelihood of low rates for the foreseeable future.

Meanwhile, high-yield bonds and leveraged loans rallied. Risky investments were in style.

MLPs continued their recovery following last year's wipeout after the plunge in crude oil prices.

Crude oil and commodities slumped following their dramatic upside reversals last quarter.

The twists and returns documented here are unpredictable. A strategic, systematic investment discipline is the best solution.

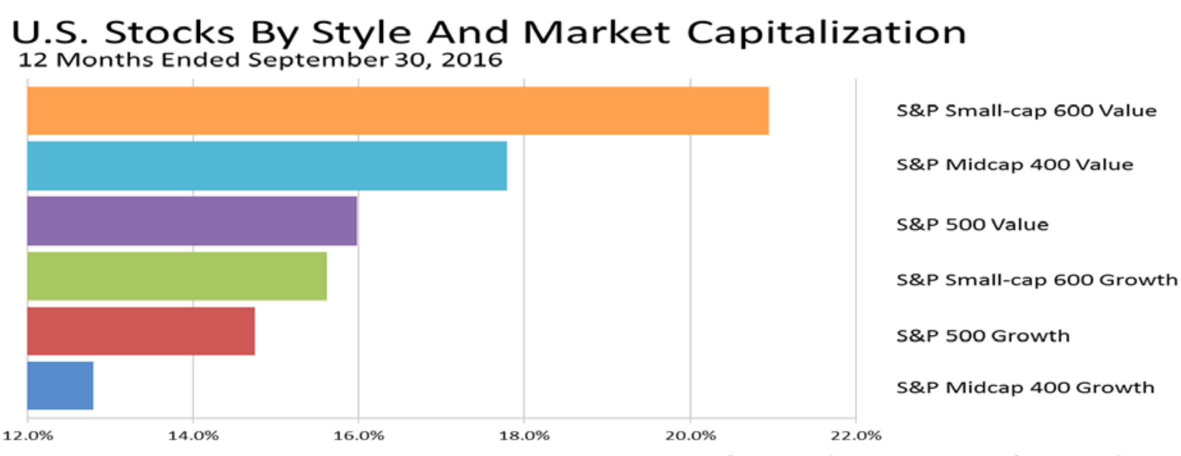


In the yearlong period through the end of September 2016, stocks showed a strong 15.4% total return — about 50% more than stocks historically have returned during an average year. It's been an uneven, unpredictable, and unlikely path to this extremely strong 12-month result.

A year ago, profits had collapsed in the energy and mining sectors. Earnings on the entire S&P 500 index were dragged down by the terrible times that hit energy businesses in the U.S. However, those 12 terrible months dropped out of the trailing 12-month earnings equation. Earnings snapped back, carrying prices higher.

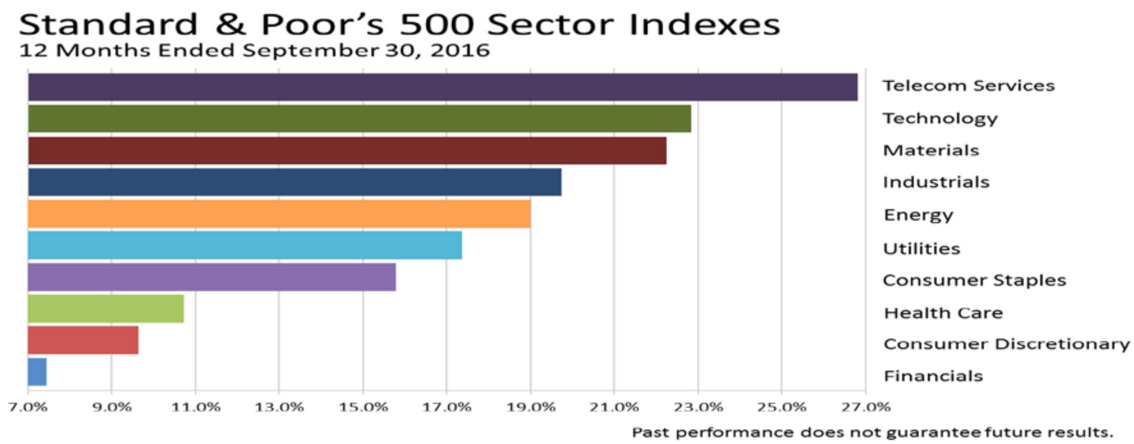
The most volatile moment was a 12% plunge in the S&P 500 in February over fears of a global slowdown. Oil prices sank below $30 per barrel and the China slowdown sent jittery investors to the sidelines. Fear abated by the end of the first quarter of 2016, however, and global economic data firmed. Moreover, the drumbeat of good reports came monthly on new jobs, declining unemployment, and rising real personal income and spending. The rat-tat-tat of good news hit every month throughout the year.

Britain's stunning vote to exit the European Union hit U.S. stocks June 24. Initially, the Brexit selloff erased more than 5% of value from the S&P 500, but the loss did not last long. Stocks recovered by the end of the quarter and the bullish sentiment that dominated in July, moved a bit higher in August, and drifted sideways in September.



Having been the one-year laggard a quarter earlier, Small-cap Value companies rallied to become the third quarter's performance leader among asset categories of different sizes and styles.

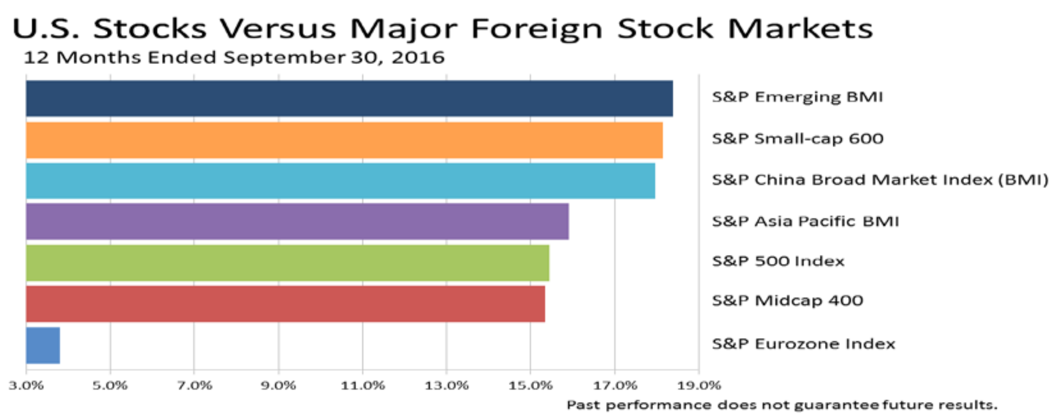
This is yet another illustration of how performance routinely rotates among investment styles and market capitalization. These characteristics, when used to distinguish among types of liquid U.S. equity investments, create a basis for systematic analysis of a personal portfolio. It's not rocket science. It's investing systematically, applying a discipline, and checking it annually, at least, to ensure it's working the way it's intended.



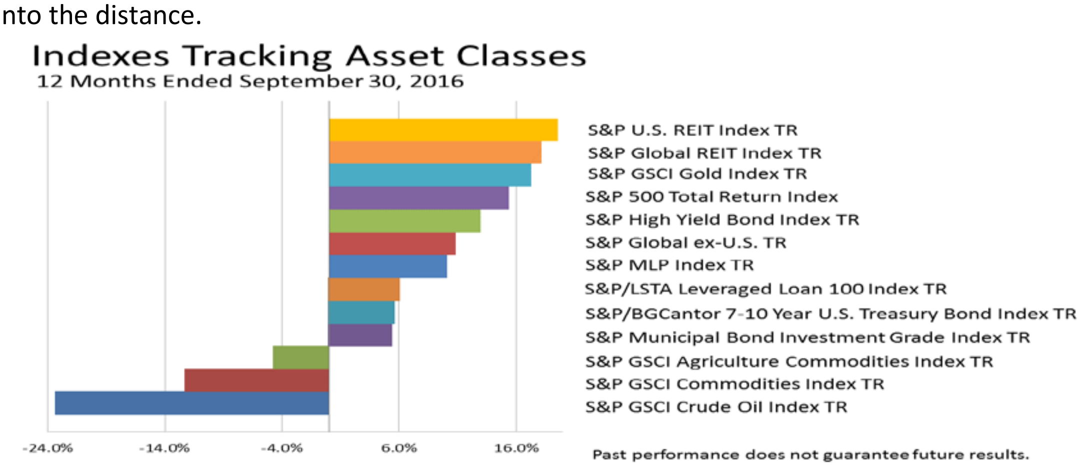
Faced with record-low bond yields, investors sought out dividend yield in the 12 months ended September 30, 2016. Telecom services was the No. 1 sector, with a 26.8% gain.

The technology sector surged, too, as risky investments were rewarded in this one-year period. Meanwhile, in reaction to a flow of positive economic data month after month, industrials and materials stocks rose strongly.

Financial companies were in last place, with ultralow interest rates making it more difficult for banks to earn a spread on their loans.

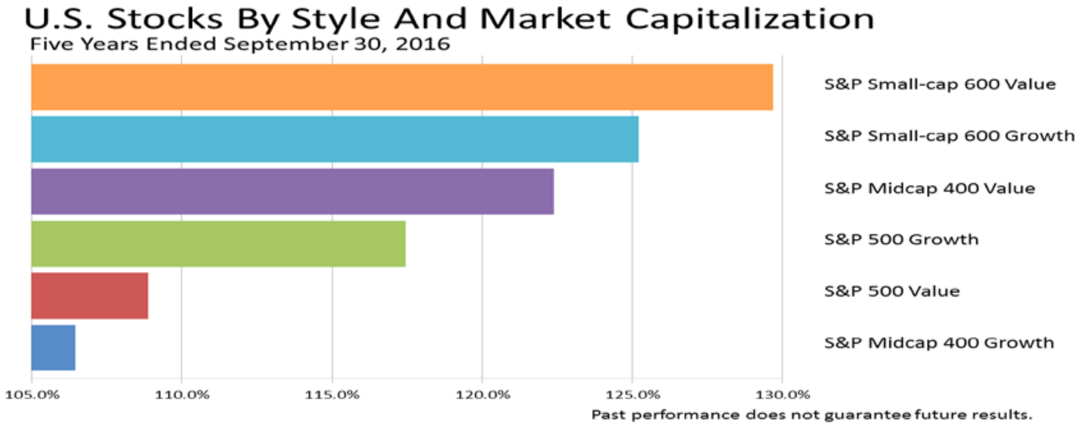


For the 12 months ended September 30, 2016, non-U.S. regional stock markets — excluding Europe — outperformed the S&P 500 for the first time since last year. Global economic growth remained positive and fears of global recession faded further into the distance.



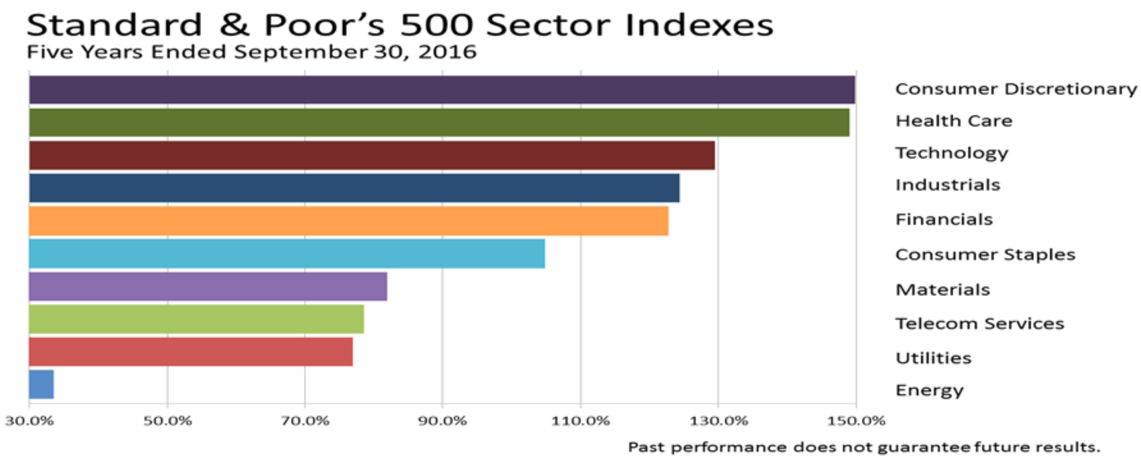
REITs, both U.S. and global, scored the best returns in the year ended September 30, 2016, as investors sought dividend yields to replace record-low bond yields.

In a reversal of a five-year slide, this index of gold futures contracts rose by 17% over the year, but natural resource-related assets otherwise were laggards and were among the worst one-year performers. Despite the rally off a February 2016 bottom, crude oil posted terrible losses, as did commodities.



The third quarter's small-cap surge put small-caps back in first place over the trailing five-year period. The S&P 500 large-caps had been leading the five-year return rankings for many quarters.

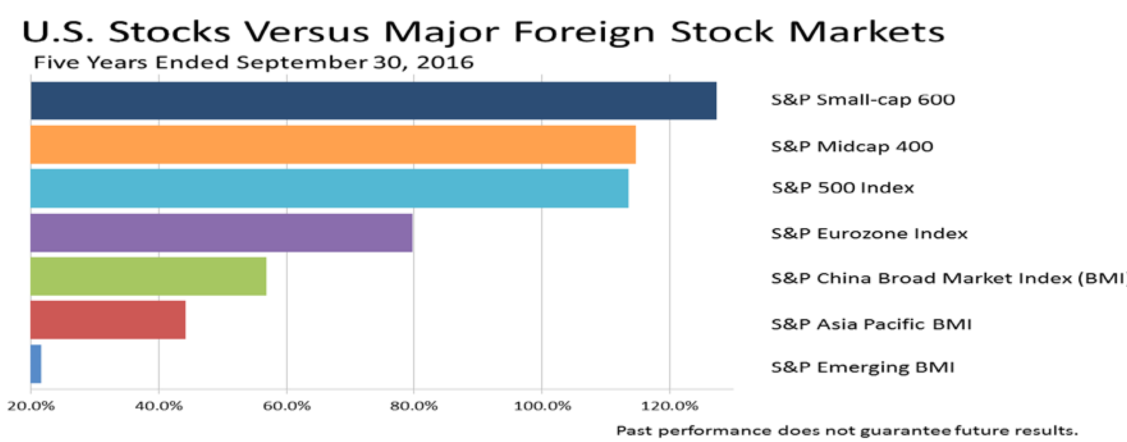
Small-caps' return to leadership reflects investors' improved confidence in the economic outlook and a return to rewarding riskier assets. Once fears of a global economic slowdown subsided, the more volatile assets reacted as would be expected by surging the most.



Consumer discretionary, health care, and technology were the three best-performing sectors in the five years ended September 30, 2016, as shares in companies classified as "growth" investments led the pack.

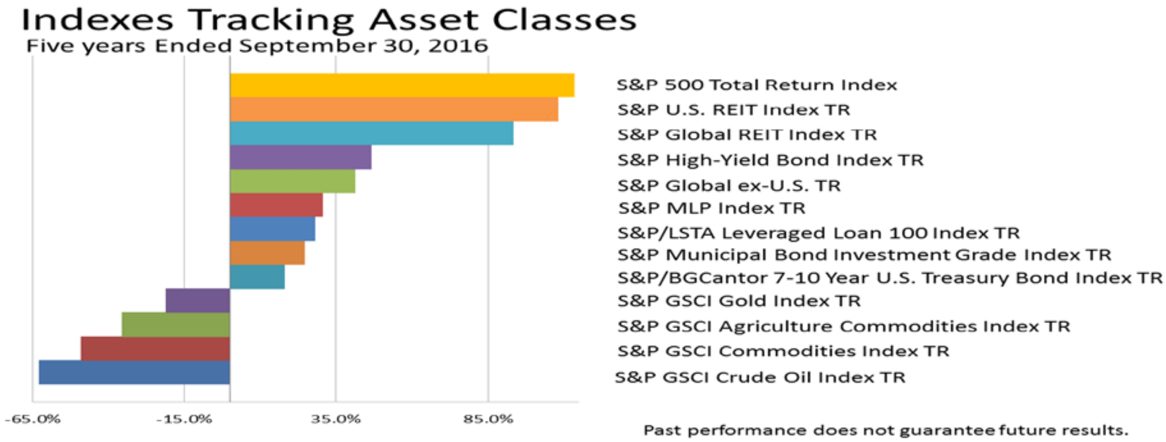
Conversely, the lagging sectors — energy, utilities, telecom services, and materials — consist mainly of stocks that are classified as value investments.

The energy and material sectors were slammed by the collapse in crude oil and most other commodity prices.



For the five years ended September 30, 2016, the U.S. indexes — small-, mid- and large-cap — outperformed major bourses across the globe.

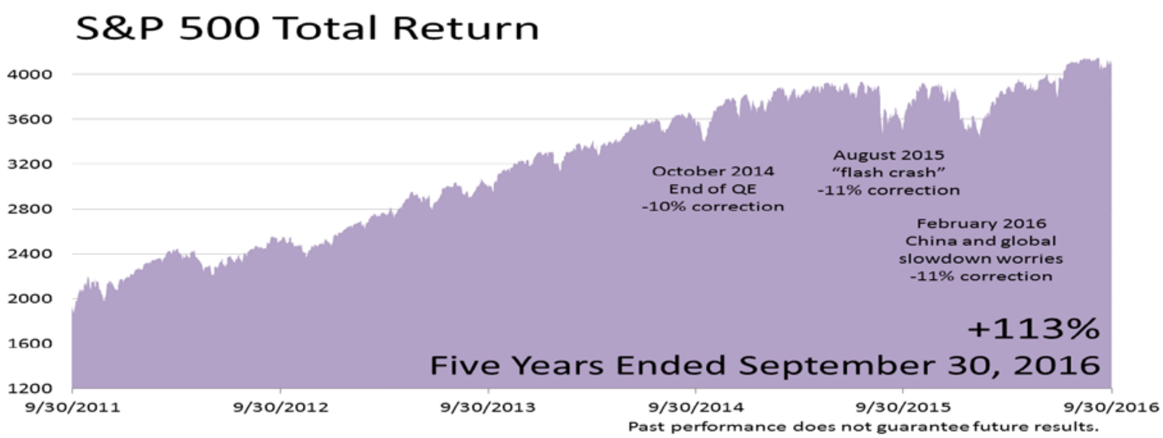
Notably, small- and midcaps led the large-cap S&P 500 index. With small-caps and midcaps outperforming returns on the largest U.S. companies, U.S. equity assets have returned to the classic long-term risk-reward relationship of the postwar era. To be clear, small- and midcaps are expected to provide the strongest returns because they are more volatile than large-caps. That long-term rubric has not been evident in years, but is in this five-year snapshot.



For the five years ended September 30, 2016, the large-cap stock index and REITs, both U.S. and global, were the top performers.

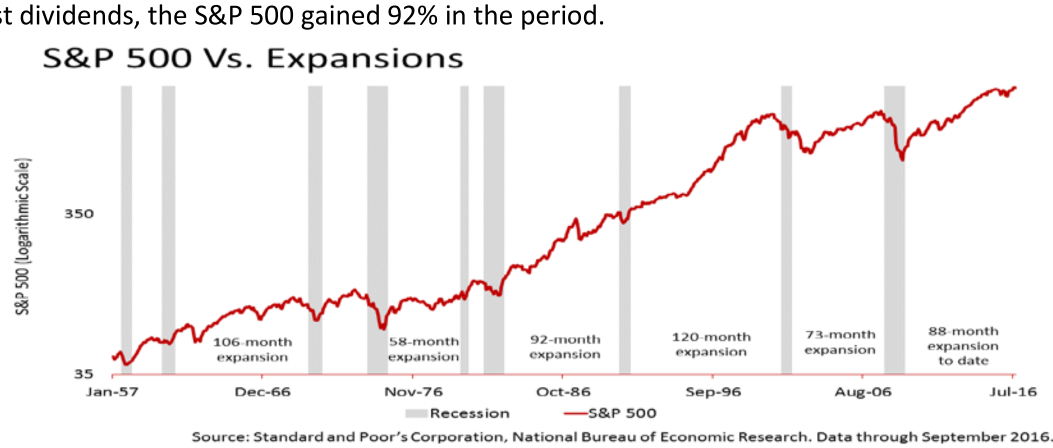
The S&P 500 index's total return of 113% over the past five years is more than double the return garnered by the 41% return on the S&P Global index excluding U.S. stocks. This chart shows the resilience demonstrated by the U.S. economy after the severe global recession compared to the rest of the world's economies.

In last place, over this five-year period, was crude oil. Commodities and gold have been money-losers over the past five years due to the strong dollar, slowing growth in demand for most commodities, and dwindling inflation.



After trading sideways for approximately 18-months — buffeted by three double-digit plunges — the stock market settled into a slightly higher range in the third quarter of 2016.

For the five years ended September 30, the S&P 500 total return was an incredible 113%, a doubling of your money. Without reinvest dividends, the S&P 500 gained 92% in the period.



This expansion started in July 2009. At 88 months, it is the third longest expansion since 1854, according to the National Bureau of Economic Research (NBER).

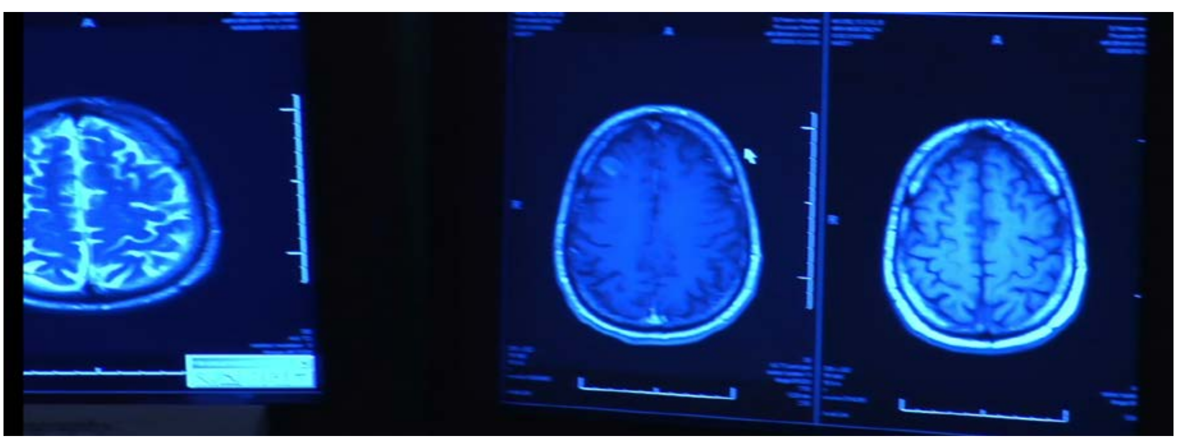
In the last century, America experienced 19 economic cycles, according to NBER; 12 economic cycles occurred since 1945.

The three U.S. expansions that have lasted longer than the one we are in currently all occurred since 1961 as shown above.

The likelihood of a bear market — a correction of at least 20% — increases as the bull market grows older.

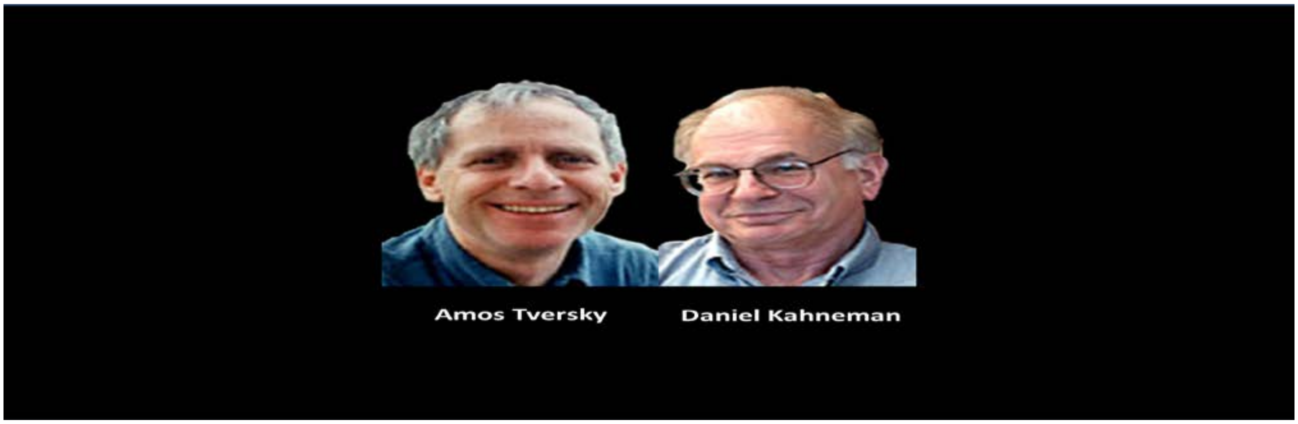
However, as the fourth quarter of 2016 began, fundamental economic conditions that have accompanied bear markets in the past were not present: Restrictive Fed policy, the likelihood of slowing economic growth, stock market overvaluation, and irrational exuberance — historically important precursors of a major market downturn — were not evident. In fact, this economy has been rolling along.

While the strong and long economic expansion may seem undeniable, many people do not seem to notice it. Although the fundamental drivers of U.S. economic performance are all positive, according to a range of objective metrics, tunnel vision frames the public discourse and has fueled the now-widespread belief that the economy is weak and that Americans are in **bad** financial shape.



Why is the economy widely believed to be in crisis when really it's doing just fine?

One theory is that the human brain is hard-wired to think that recent events influence the future more than they really do.

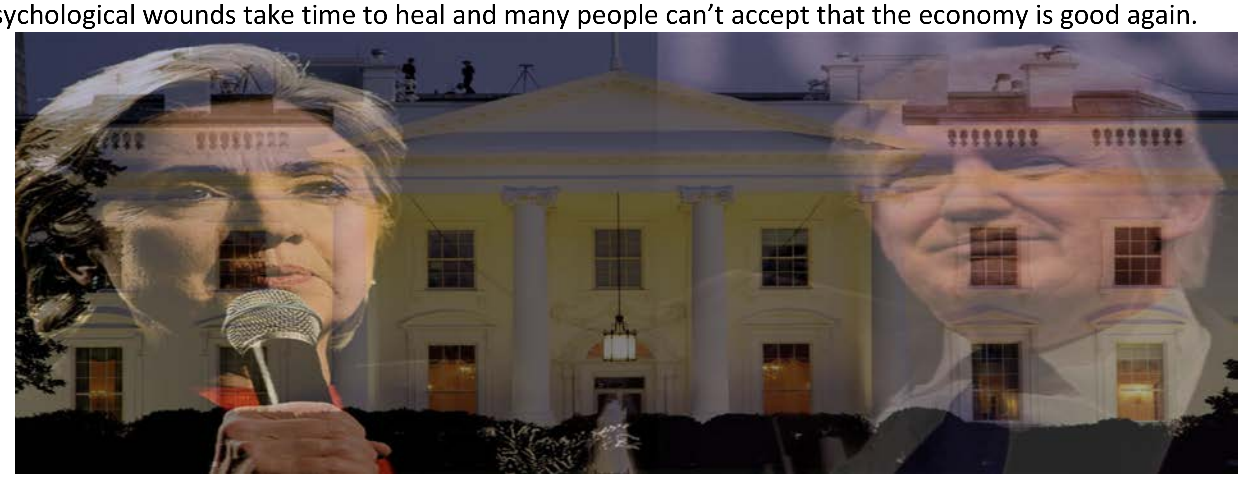


Systematic cognitive biases in the way humans think were documented in 1973 by the late Amos Tversky and Daniel Kahneman. Kahneman was awarded the 2002 Nobel Prize in Economics for this groundbreaking discovery.

A cognitive bias that tends to overweight the importance of dramatic recent events may explain why so many Americans think the economy is in crisis when objective metrics overwhelmingly show that the economy is doing just fine.

Americans are still traumatized from the Great Recession, the worst financial crisis since 1929, which occurred in 2008.

Deep psychological wounds take time to heal and many people can't accept that the economy is good again.



American political leaders have been of little help.

Politicians almost never say the economy is doing just fine.

Their success depends on <u>talking down</u> the economy and <u>talking up</u> how they'll fix it.

Being upbeat would alienate too many voters.

Their role is never to be satisfied.

The news media also is culpable for contributing to the common misperceptions that the economy is in dire straits.

None of the strapping cable TV anchors knows enough to fact-check the so-called experts they interview.

For example, people commonly believe that Americans have not had a pay hike in 15 or 20 years.

This untruth is repeated on all of the cable TV news outlets throughout the day without being challenged.

But it is patently false.

Cognitive biases, a failure of leadership, and a media that shows no appreciation for the math driving the economy: it's a perfect storm of factors complicating our understanding of what's true.

So here are the facts.

We're experiencing the best economic expansion since the economic peak of 2006 and 2007.

Inflation is dormant and job openings are at a record high.

The last such wondrous economic period was in 2007.

That was an asset bubble!

People were using their homes like ATM machines and went on buying sprees fueled by bad loans.

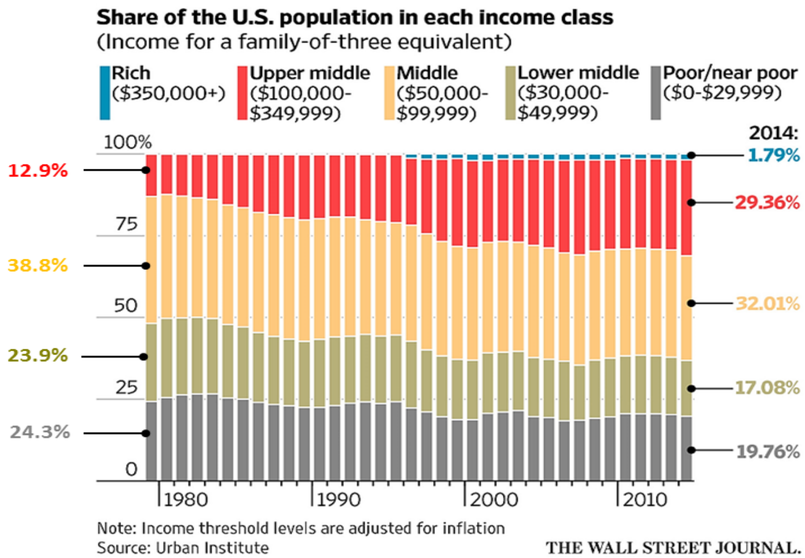
This economic expansion is different, however, and the strong economy is for real — not the result of a debt-binge.

Like the little train that could, the economy is rolling along at a slow, sustainable growth rate.

Historically, economic downturns in the U.S. often were caused by the Federal Reserve's policy mistakes — the Fed has tightened when it should have loosened credit, or vice versa.

But because inflation has been so low, the Fed has room for error.

Income Distribution – Behind The Gini Index



Source: *The Wall Street Journal*, June 22, 2016; Urban Institute, *The Growing Size and Incomes of the Upper Middle Class*, by Stephen J. Rose, June, 2016.

We could list 20 recently released data points illustrating how smoothly the economy is running, but this one chart explodes the myth that Americans are in an economic downturn.

In 1980, 38% of American households were in the middle-income bracket versus just 32% now.

Similarly, about 24% were classified as poor or near-poor in 1980 versus 17% recently.

That's really good news based on the most recent data available: The ranks of the upper-middle income have swollen.

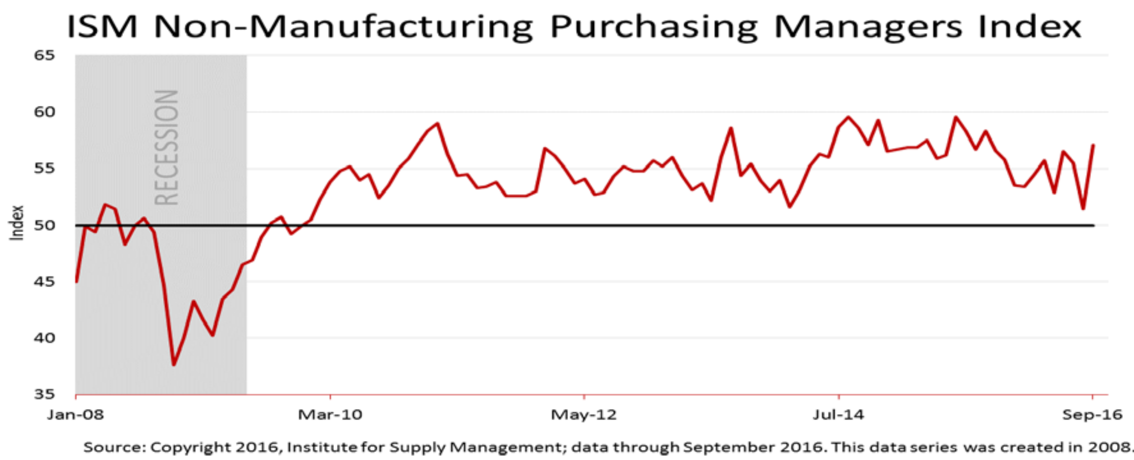
Since 1980, the share of the population of Americans in the upper-middle income category **nearly doubled**, from 15 to 29 percent, and that's a key engine of growth of the consumer-driven American economy — that's what makes America great.

Contrary to popular belief, more Americans are prospering and getting their fair share of The American Dream.

The Goldilocks Economy

The U.S. employment situation is as good as it's been since the peak of the economic expansion in 2007, wages are rising, inflation is dormant, and new orders at big businesses are surging.

It's a Goldilocks economy! Here are the numbers.



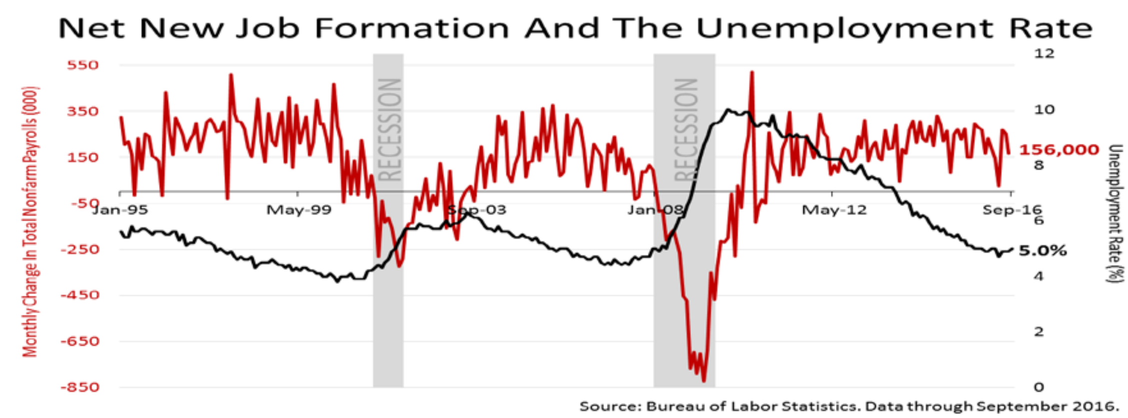
Let's start our list of good economic news emerging with the surge in new orders in the non-manufacturing sector.

The Institute of Supply Management (ISM), a trade association for purchasing managers, has tracked manufacturing orders for decades.

In 2008, ISM began reporting results of a new monthly survey of its members in the *non*-manufacturing segment of the economy, which accounts for about 86% of U.S. gross domestic product.

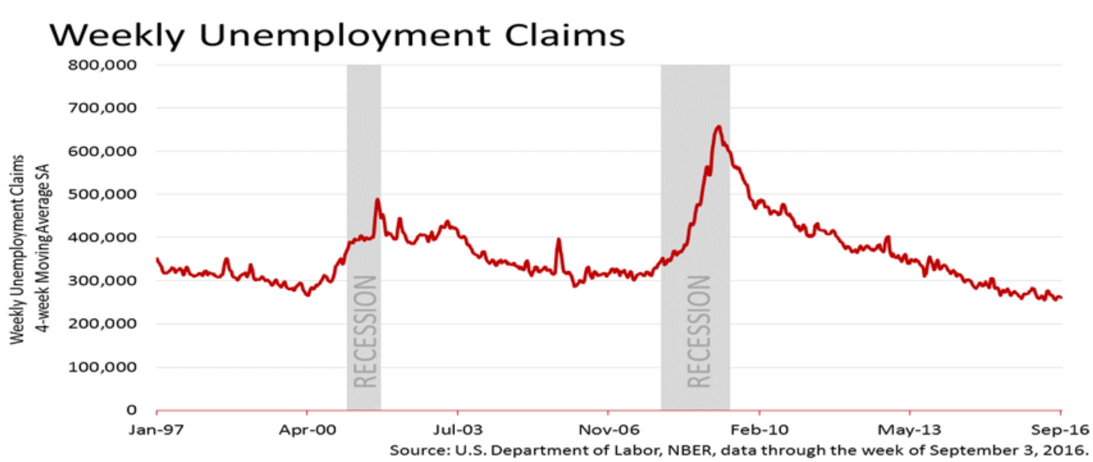
A reading greater than 50 indicates that the economy is expanding, and a persistent sub-50 reading indicates an oncoming recession.

At 57.1, a recession is nowhere in sight.



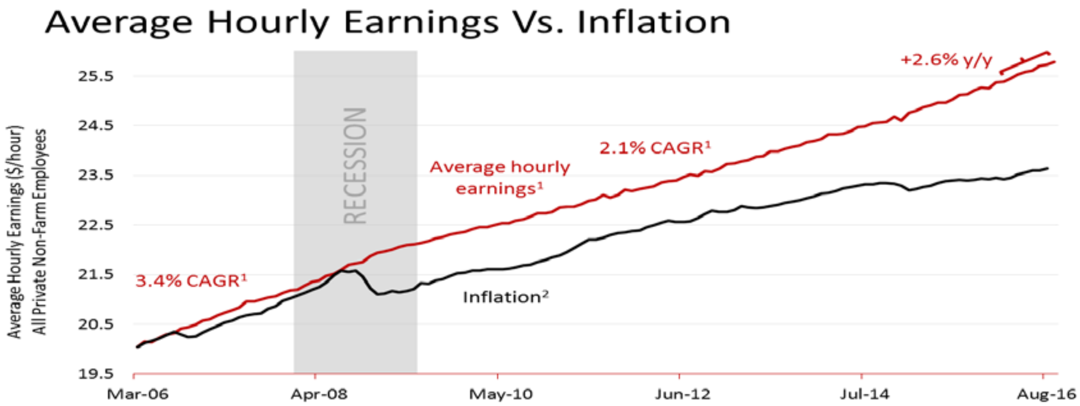
Another good sign was news that 156,000 new jobs were created in September.

Contrary to reports in the consumer press portraying an anemic jobs recovery, new-job formation in the past seven years has been typical of past economic expansions.



Another sign of strength came from data on weekly unemployment claims.

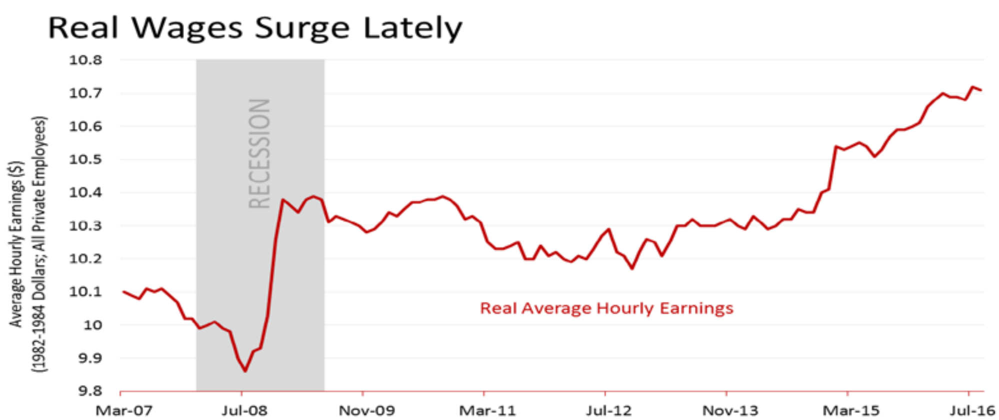
The unemployment rate is now **well below** the previous low in the last economic boom.



Source: BLS, BEA. AHE data through September 2016. Inflation data through August 2016. AHE includes 100% of non-farm private employees, and excludes benefits and employers' share of payroll taxes. [1] Compound annual growth rate March 2006 through December 2008 = 3.4%; CAGR December 2008 through June 2016 = 2.1%. [2] March 2006 average hourly earnings of $20.04 inflated by the personal consumption expenditures deflator (PCED).

Yet another fresh sign of economic strength: average hourly earnings continued to accelerate in September.

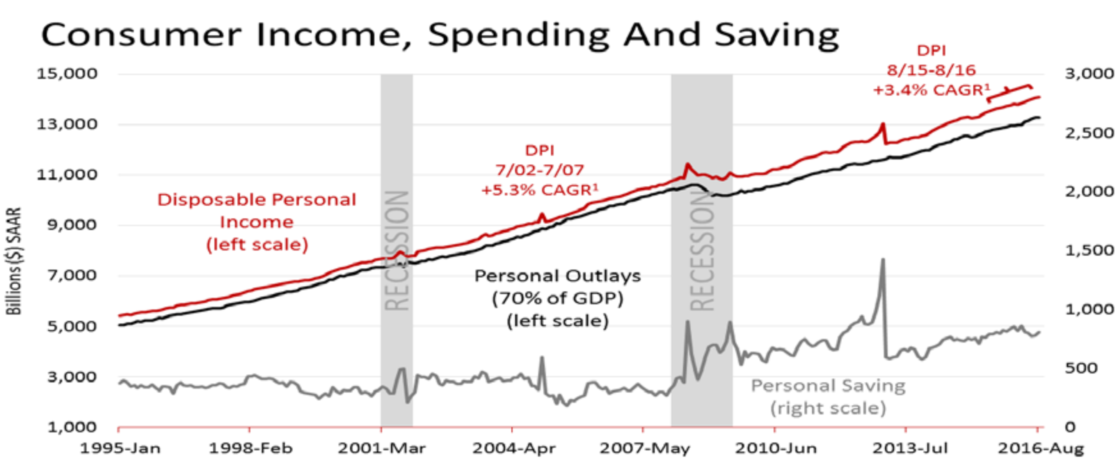
The 2.6% growth in hourly earnings in the 12 months ended September 30 is much higher than the 2.1% compound annual growth rate averaged since the end of the Great Recession.



Source: BLS. Data through August 2016.

In addition, adjusted for inflation, **<u>real</u>** average hourly earnings — Americans' **<u>real</u>** purchasing power — recently topped its all-time high.

While the news is filled with talk of American workers not getting a pay hike in 15 years, it is simply fiction. Look at that surge!

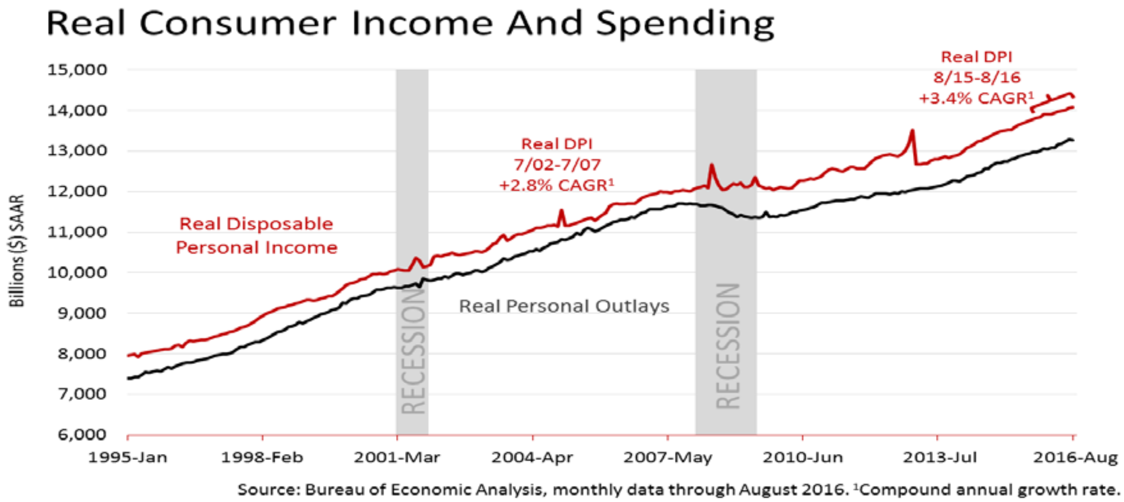


Source: Bureau of Economic Analysis, monthly data through August 2016. [1]Compound annual growth rate.

This next statistic is crucial. Consumer income drives consumer spending. Consumer income is the red line in this chart, consumer spending is the black line, which accounts for 70% of the US economy.

What you're looking at in this chart is a very healthy year-over-year gain of 3.4% in the compound annual growth rate of personal disposable income, and this key driver of the US economy is poised to continue growing.

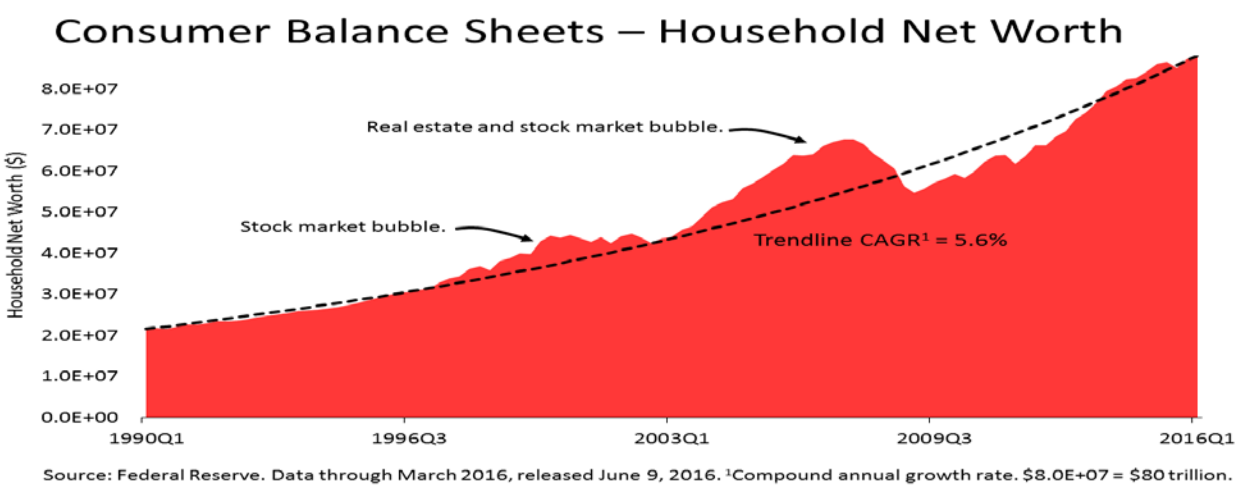
The savings rate, at 5.3%, has very substantially recovered from the pre-recession lows. Americans have improved their spending behavior and reloaded their checking accounts, ensuring support for continued consumer activity.



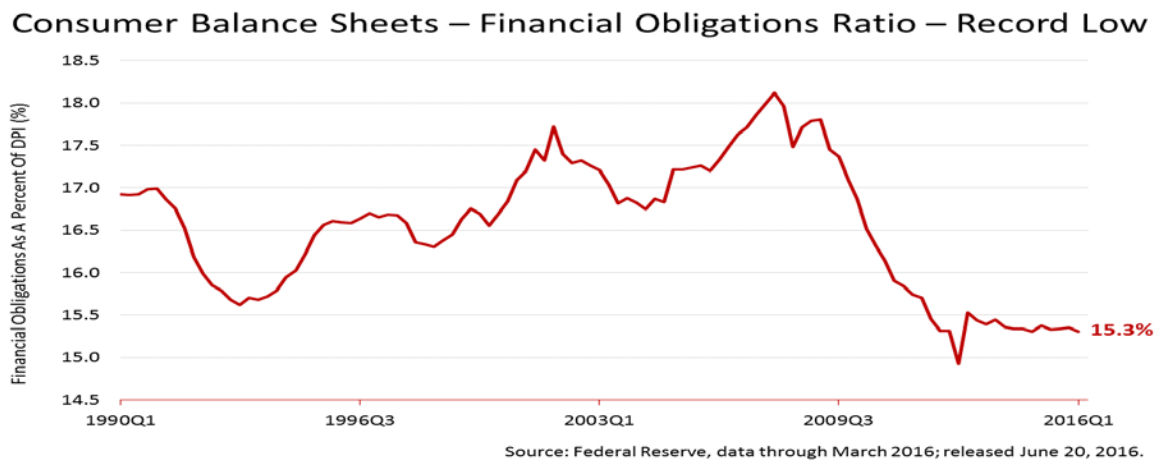
Inflation is substantially lower today than it was prior to the last recession. So if you adjust real disposable personal income for inflation, you get this measure called Real Disposable Personal Income.

Real spending power on the part of American families is growing at a record high rate of 3.4% year-over-year compared to the five-year average prior to the last recession of just 2.8%.

Income stagnation is fiction.



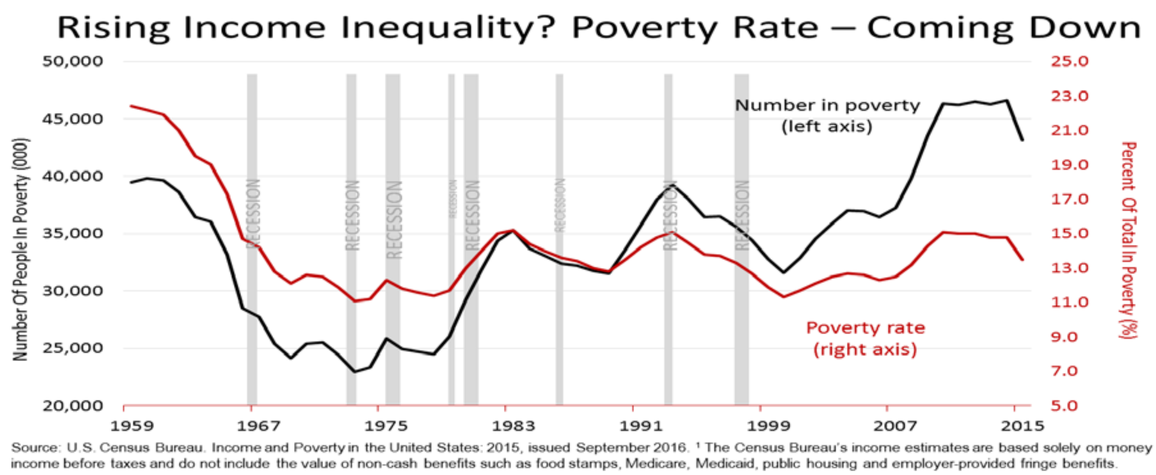
How about household balance sheets? Household net worth has fully recovered and we're at record all-time highs on household net worth, suggesting that the wealth affect should be operating in a positive direction today.



With respect to the U.S. household's ability to spend money, the Financial Obligations Ratio is the acid test. It is a statistic compiled by the Federal Reserve and it shows the percentage of the average household's monthly after-tax income needed to cover all fixed recurring monthly obligations — the American household's monthly nut.

It's the mortgage payment, car payment, credit card payment, real estate taxes, utility bills, and so forth. It is at a record low, with just 15.3% of the average household's income needed to cover monthly fixed expenses.

With 85% of the average household's after-tax income available for all other discretionary spending, strong consumer spending growth could remain the trend for the foreseeable future.



You also hear talk about a record number of people in poverty. This is a commonly cited statistic and is commonly distorted. The number of those in poverty increases with the population, which politicians on both sides of the aisle often fail to mention.

The important statistic is the poverty rate: the number of people defined to be in poverty compared to the total population.

After every recession, the poverty rate peaks. We're now back down to a rate that in line with history.

By the way, look at how today's poverty rate compares to the levels that we saw back in the '60s and '70s. Talk about a vast improvement in the poverty situation of the United States. That's what we see here.

With fresh evidence of strength in jobs, new orders, and earnings — and inflation not a threat — the economy is not too hot or too cold; it's just right.

For now, it's a Goldilocks economy.

Disclosures

This research report was compiled by Fritz Meyer, an independent economist, in collaboration with a veteran financial journalist. While these are sources we believe to be reliable, the information is not intended to be used by as financial or tax advice without consulting a professional about your personal situation.
Indices are unmanaged and not available for direct investment. Investments with higher return potential carry greater risk for loss. Investing in small companies involves greater risks not associated with investing in more established companies, such as business risk, significant stock price fluctuations and illiquidity. Foreign securities have special risks, including exchange-rate changes, political and economic upheaval, lack of information about companies, relatively low market liquidity, and different accounting standards. Emerging market investments involve greater risk than developed-country markets, such less liquidity in markets, high inflation, central bank monetary policy and controls, weak institutions in accounting, banking and markets, government policy, adverse political developments and lack of timely information.
Gold and precious metals mining comp[anise are dramatically affected by precious commodity prices. Changes in political or economic climate for the world's two largest gold producers, South Africa and the former Soviet Union, may have a direct effect on the price of gold worldwide.
Data for the CPI, Unemployment Rate, and Non-farm Payrolls are from the Bureau of Labor Statistics. Data for the GDP are from the Bureau of Economic Analysis. The Purchasing Managers Diffusion Index is a release of the Institute of Supply Management. Retail spending data are from the Bureau of the Census. Data for Consumer Confidence are from the Conference Board. Historic Treasury yields are from the U.S. Treasury; global and U.S. equity index performance numbers are from the respective index vendors, as are commodity benchmarks. Currency numbers are from OANDA.com. Sector and dividend statistics are from Standard & Poor's.
The Conference Board Leading Economic Index® (LEI) components: 1) average weekly hours worked, manufacturing; 2) average weekly initial unemployment claims; 3) manufacturers' new orders — consumer goods and materials; 4) ISM index of new orders; 5) manufacturers' new orders, nondefense capital goods; 6) building permits — new private housing units; 7) stock prices, S&P 500; 8) Leading Credit Index™; 9) interest rate spread; 10-year Treasury less fed funds; 10) index of consumer expectations.
The Bureau of Labor Statistics publishes two employment surveys each month, the Current Population Survey (CPS; household survey) and the Current Employment Statistics survey (CES; establishment survey). The household survey is a sample survey of about 60,000 eligible households conducted by the U.S. Census Bureau for the U.S. Bureau of Labor Statistics (BLS). The establishment survey collects data each month from the payroll records of a sample of about 144,000 businesses and government agencies, representing approximately 554,000 individual worksites, in order to provide detailed industry data on employment, hours, and earnings of workers on nonfarm payrolls. The active sample includes approximately one-third of all nonfarm payroll employees. The household survey sample is selected to reflect the entire civilian noninstitutional population. Based on responses to a series of questions on work and job search activities, each person 16 years and over in a sample household is classified as employed, unemployed, or not in the labor force. The establishment survey sample is drawn from private nonfarm businesses such as factories, offices, and stores, as well as from federal, state, and local government entities. Employees on nonfarm payrolls are those who received pay for any part of the reference pay period, including persons on paid leave. Persons are counted in each job they hold. The household survey includes agricultural workers, self-employed workers whose businesses are unincorporated, unpaid family workers, and private household workers among the employed. These groups are excluded from the establishment survey. The Current Employment Statistics (CES) program produces nonfarm employment series for all employees (AE), production and nonsupervisory employees (PE), and women employees (WE). For AE and PE, CES also produces average hourly earnings (AHE), average weekly hours (AWH), and, in manufacturing industries only, average weekly overtime hours (AWOH). AE average hours and earnings data are derived from reports of hours and payrolls for all employees. PE average hours and earnings data are derived from reports of production and related employees in manufacturing and mining and logging, construction employees in construction, and nonsupervisory employees in private service-providing industries.