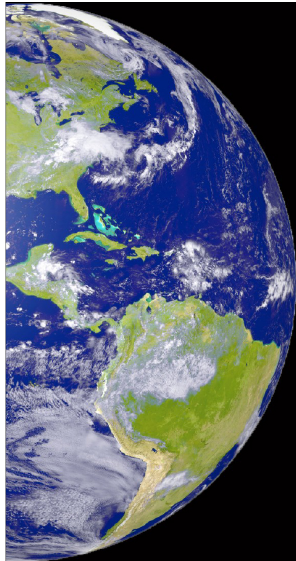
February, 2018



THE GLOBAL INVESTMENT PULSE

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THE BOOM-BUST BAROMETER FORECASTS THE S&P 500'S FUTURE PERFORMANCE?

By Louis P. Stanasolovich, CFP®, CCO, CEO and President of Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.®

The Boom-Bust Barometer is a widely referenced indicator derived from the Commodity Research Bureau's (CRB) Raw Industrial Spot Price Index, which many consider to be the best daily representation of the global economy. The Boom-Bust Barometer, made famous by Dr. Ed Yardeni, can be an effective way of avoiding large drawdowns in the stock market. This barometer is calculated by taking the CRB Raw Industrial Price Index, and dividing it by four-week moving average of initial unemployment claims (Please note: The average price of crude oil can be substantial.). If commodity prices rise and unemployment claims fall, the barometer increases and theoretical economic activity is sound. As the reader can see in the chart on page 3, the Boom-Bust Barometer is reaching all-time highs. Also, the reader can see that

Boom-Bust, *continued on page 3*

INTEREST RATE CHANGES: DOES THE TREND MATTER?

By Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC

Excerpted by Louis P. Stanasolovich, CFP®, CCO, CEO and President of Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.®

The Leuthold Group's Dow Bond Oscillator (indicates how quickly returns are weakening in Corporate Credit, see the chart) issued what looks like an increasingly predictive (warning) "Sell" signal on January 26th. That's when the smoothed 26-week rate-of-change in the Dow Jones Corporate Bond Index turned negative for the first time since last June. While this indicator has nothing to do with the monetary base, the money supply measures (M1, M2, and MZM), or—heaven forbid—the Fed's balance sheet, it is still considered to be one of the best monetary measures. (See the chart on the top of page 4.) While the indicator has had a few missteps over the last several

Interest Rate Changes, *continued on page 4*

UPCOMING INVESTMENT WEBCAST

"Understanding The Stock Market Correction"

Presented by Louis P. Stanasolovich, CFP®, CCO, CEO and President of Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.®

Monday, March 12th at 7:00 p.m. Eastern Time

Thursday, March 15th at Noon Eastern Time

Lou Stanasolovich, CFP®, is a winner of over 35 major national "Best Advisor" type awards and is the CCO, CEO and President of Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.® (See Lou's Bio on page 2).

Registration is free. Please feel free to invite relatives, friends, colleagues, etc. to attend. The Webcasts will be recorded and can be viewed under "Archived Webcasts" along with previous Webcasts at the following link: **www.legend-financial.com/financialwebcasts**. All slides for each previous Webcast are also available.

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"Volatility and the VIX"

Legend Financial Advisors, Inc.® has launched a new video series entitled "Investment Shorttakes".

These videos were created to help viewers to better understand investment issues that are or will be affecting their investments and/or portfolios. Each video will contain a few slides at most and will be approximately 5 to 10 minutes in length.

Missed any of our previously sent videos? All of the videos can still be viewed by going to the following Website: **www.legend-financial.com/investment-shorttakes**

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2. Members of Legend's Financial Advisory Team have been selected by National Publications such as Worth, Medical Economics and Barron's more than 60 times as "The Best Financial Advisors In America".

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EmergingWealth Investment Management, Inc.® (EmergingWealth), is the sister firm of Legend Financial Advisors, Inc.® (Legend) and is a Non-Commission, Fee-Only Securities and Exchange Commission (SEC) registered investment advisory firm. EmergingWealth provides Investment Management services to individuals as well as business entities, medical practices and non-profit organizations whose wealth is emerging. All investment portfolios are sub-advised by Legend. Both Legend and EmergingWealth share a common advisory team, Investment Committee and Fee Schedule.

LOUIS P. STANASOLOVICH, CFP®, EDITOR

Louis P. Stanasolovich, CFP® is founder, CCO, CEO and President of Legend Financial Advisors, Inc.® (Legend) and EmergingWealth Investment Management, Inc.® Lou is one of only four advisors nationwide to be selected 12 consecutive times by Worth magazine as one of "The Top 100 Wealth Advisors" in the country. Lou has also been selected 13 times by Medical Economics magazine as one of "The 150 Best Financial Advisors for Doctors in America", twice as one of "The 100 Great Financial Planners in America" by Mutual Funds magazine, five times by Dental Practice Report as one of "The Best Financial Advisors for Dentists In America" and once by Barron's as one of "The Top 100 Independent Financial Advisors". Lou was selected by Financial Planning magazine as part of their inaugural Influencer Awards for the Wealth Creator award recognizing the advisor who has made the most significant contributions to best practices for portfolio management. He has been named to Investment Advisor magazine's "IA 25" list three times, ranking the 25 most influential people in and around the financial advisory profession as well as being named by Financial Planning magazine as one of the country's "Movers & Shakers" recognizing the top individuals who have done the most to advance the financial advisory profession.

Boom-Bust, *continued from page 1*

the Boom-Bust Barometer has had a very high positive correlation with the Standard & Poor's (S&P) 500 since 1966. While the Boom-Bust Barometer is currently increasing; historically, it is unusual to see a major correlation in stock prices. As evidenced by the Boom-Bust Barometer chart, it is a fairly accurate indicator of recessions.

As a word of warning, at times the barometer can decrease without a recession occurring. However, a drawdown in the S&P 500 usually occurs. Furthermore, this calculator may work as well with other stock indices.

S&P 500 VERSUS BOOM-BUST BAROMETER
December 31, 1966 To January 31, 2018

Recession Periods
S&P 500 INDEX
Boom-Bust Barometer (Right Axis)

SOURCE: BLOOMBERG INVESTMENT SERVICE
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10.0% CORRECTIONS WITHIN A 10-DAY PERIOD

By Louis P. Stanasolovich, CFP®, CCO, CEO and President of Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.®

Recently, the stock market had a 10.0% Correction in a 10-day period. Historically, that type of event does not usually occur very often except in or near a recession. Below are the times this type of event occurred since 1954.

Month	Year	Event	Recession
May	1962	Kennedy Slide	Yes
October	1987	Stock Market Crash	Yes
August	1998	Long-Term Capital Management Financial Debacle	No
April	2000	Tech Bubble	Yes
August	2011	U.S. Debt Downgraded	No
August	2015	China Currency Devaluation	No
January/February (9 trading days)	2018	Rising Interest Rates Increased Volatility	No

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years, its overall record in capturing the market's major swings has been respectable. The April 2008 "Sell" signal was terrific, and the indicator did not recommend reentering the market until almost a year later with the Dow Jones Industrial Average 37.0% lower.

On the other hand, the spring 2011 "Buy" signal occurred right in front of that year's third-quarter collapse, and the brief "Sell" signals of 2013 and 2017 led one to miss out on some of those years' terrific gains.

For an indicator that is "independent" of stock prices, however, its historical record has been exceptional.

Source: This article was excerpted from "Rates: Does Trend Or Level Matter More?", by Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC, (*Perception Express*, February 7, 2018), http://leuth.us/stock-market

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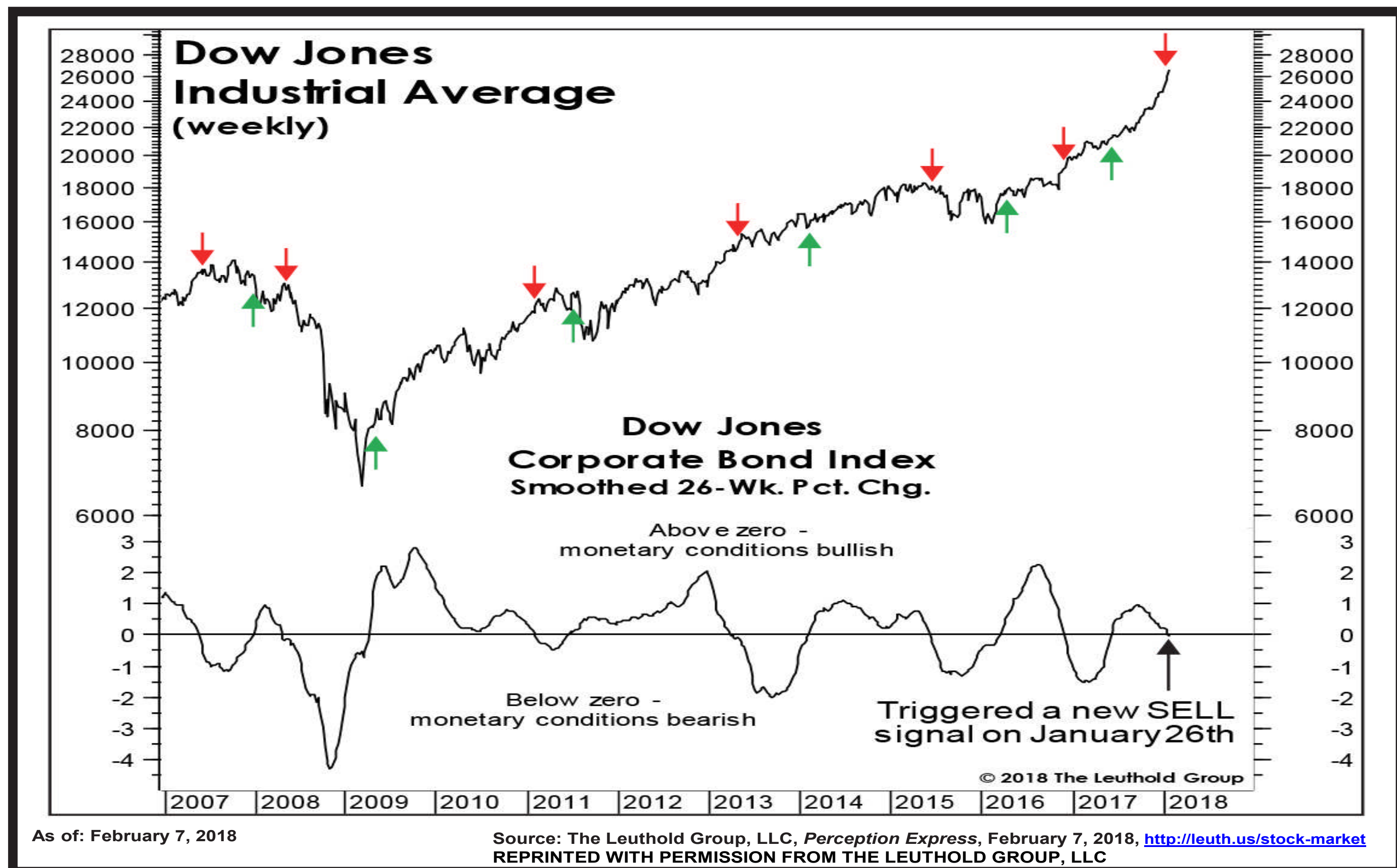

PULSE

WHAT IS THE DOW BOND OSCILLATOR?

By Louis P. Stanasolovich, CFP®, CCO, CEO and President of Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.®

The model looks at how quickly returns are weakening in corporate credit. Namely, it's the 10-week exponential moving average of the 26-week percentage change in the Dow Jones Corporate Bond Index (which measures price, the reciprocal of yields). The lower it goes, the tighter monetary conditions, and therefore worse for stocks.

It's the rate-of-change in bonds, not the bond yield level, that has the stronger impact on the stock market.

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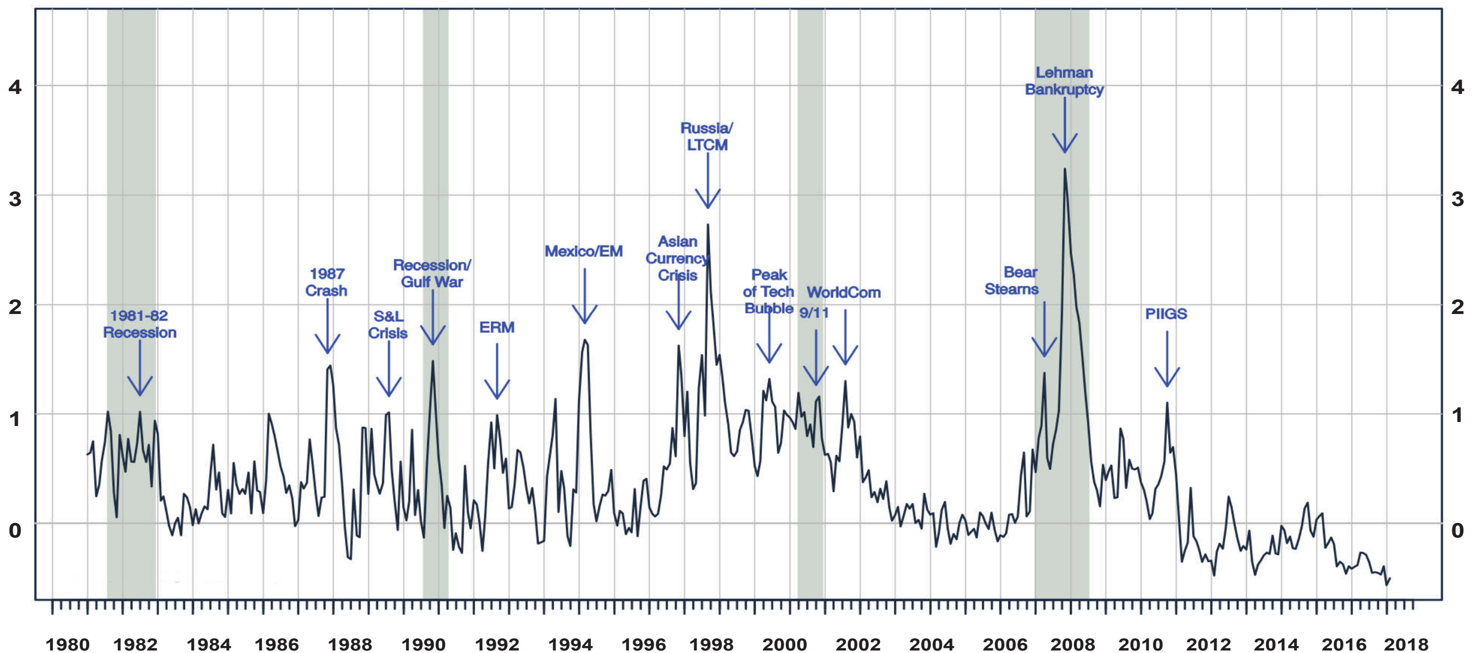
PULSE

MONTHLY RISK AVERSION INDEX (RAI)
RISK INDEX INCREASES SLIGHTLY-STILL NEAR LOWEST LEVEL EVER

Note: The Risk Aversion Index combines ten market-based measures including various credit and swap spreads, implied volatility, currency movements, commodity prices and relative returns among various high- and low-risk assets.



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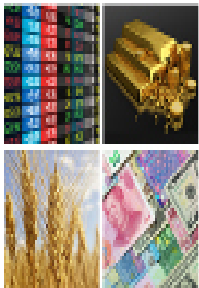

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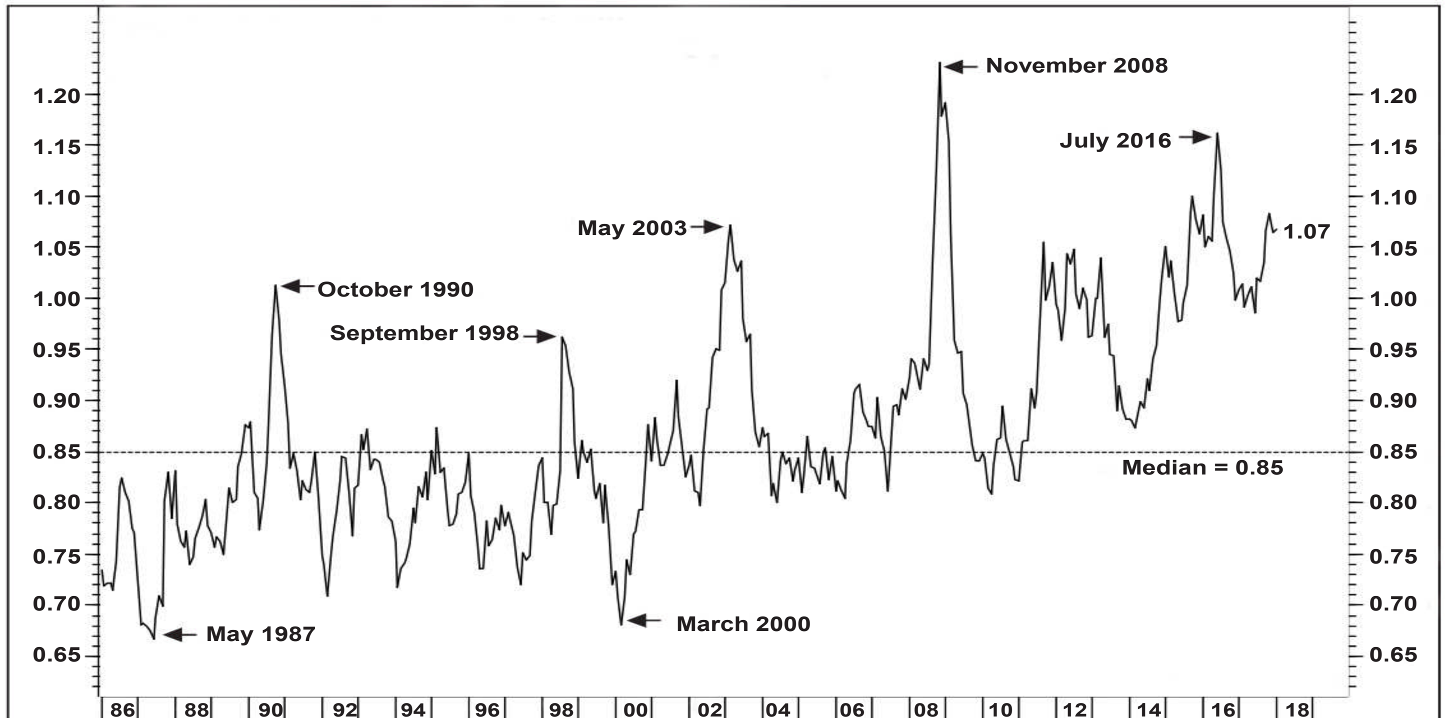
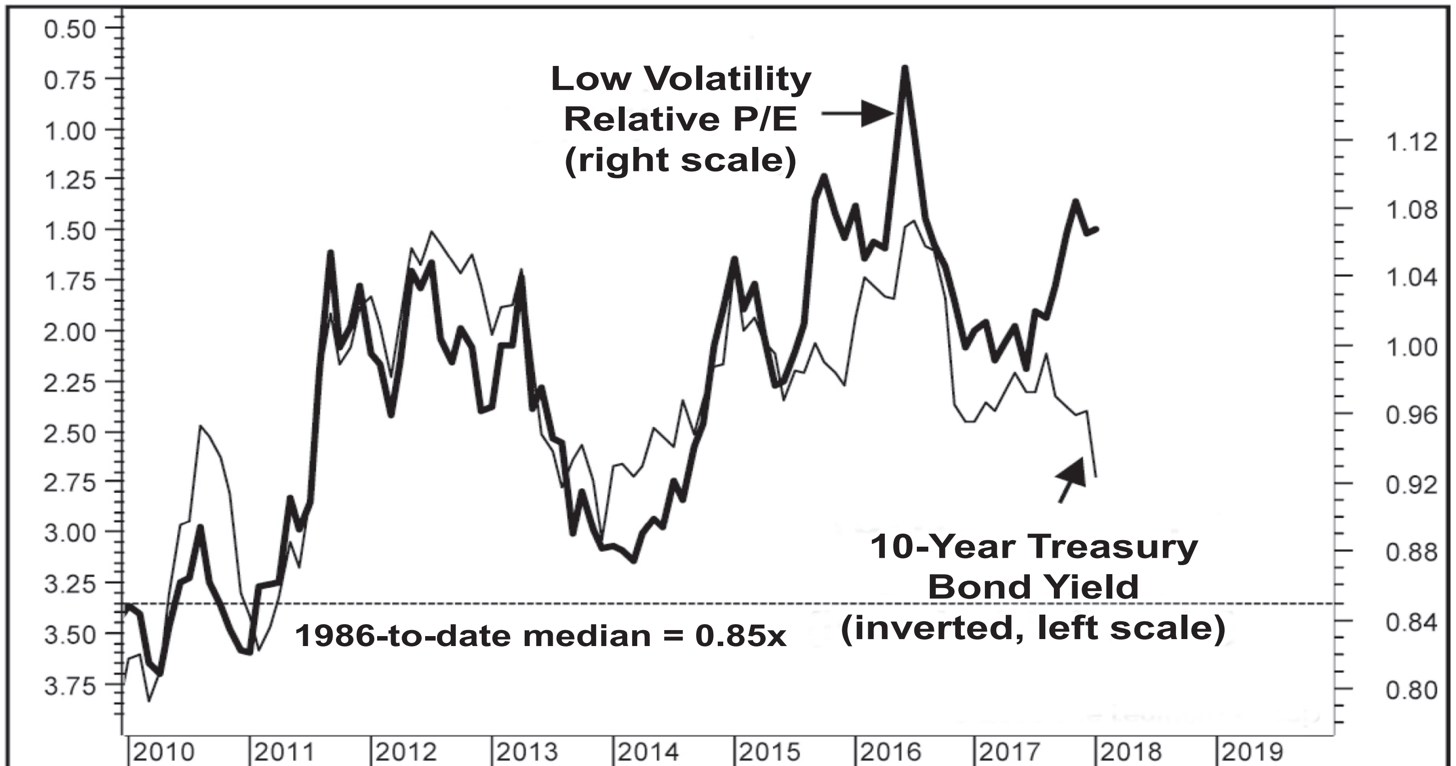
Low Volatility, *continued from page 7*





WILL INTEREST RATES KILL THE LOW VOLATILITY MANIA?

By Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC

While there are many parallels between recent action and that of 1999-2000, stock market leadership is not one of them. The August-January up leg (movement) was—like most other legs of the post-2008 bull market—led by Low Volatility stocks, which closed January, 2018 at a record-high median [half the Price-To-Earnings Ratio (P/E) are above that number, half the P/Es are below] trailing P/E ratio of 26.4x (Chart 1, below). The High Beta universe trades at a similar multiple (26.9x), but that figure sits near its long-term median and is less than one-fourth of the level seen at the Y2K peak.

Bob Farrell of Merrill Lynch fame once said, "Excesses in one direction will lead to an opposite excess in the other direction." In the 1990s, years of robust economic growth led to a historic mispricing of growth stocks. Eighteen years later (maybe not coincidentally the length of a "Saros" cycle in astronomical research), years of sluggish economic growth and meager fixed income coupons have led to what we believe is an historic mispricing of stock market "stability".

On a relative valuation basis, Low Volatility stocks have been near or above current levels several times (Chart 2, on the top of page 6); in prior cases, each was a juncture of stock market or economic angst (or both). It's hard to explain why the P/E premium exists in what is clearly the most euphoric stock market environment since the Technology bubble.

Although many of the Large Cap Technology stocks squeezed their way in to the Low Volatility universe the last few years, their relative valuations have continued to vary inversely with swings in bond yields. However, Low Volatility stocks seem to have ignored the five-month spike in bond yields (Perhaps February's early action is payback for that oversight.). If Chart 3, on the bottom of page 6, is on target, Low Volatility stocks should soon move to a P/E discount.

Source: This article was excerpted from "Will Rates Kill The Low Vol Mania?", by Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC, (*Perception Express*, February 7, 2018), http://leuth.us/stock-market

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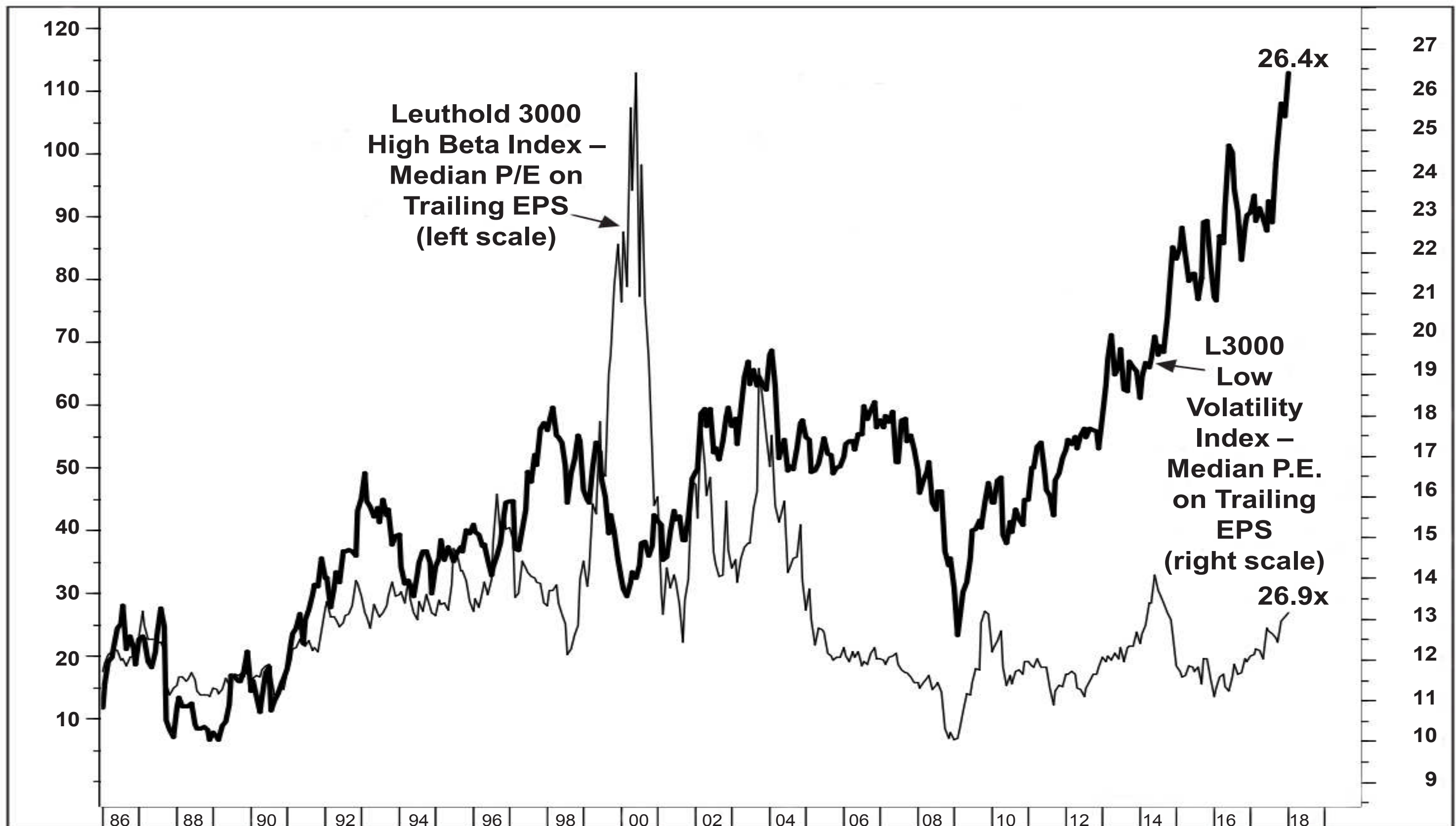

Low Volatility, *continued on page 6*

JANUARY MOMENTUM CAN LEAD TO CONTINUED GAINS

A Big January Is A Great Sign For More Strength

Year	S&P 500	January Return	Rest of Year	Full Year	Intrayear Pullback
1951	21.66	6.0%	9.7%	16.3%	-8.1%
1954	26.08	5.1%	38.0%	45.0%	-4.4%
1961	61.78	6.3%	15.8%	23.1%	-4.4%
1967	86.61	7.8%	11.4%	20.1%	-6.6%
1975	76.98	12.3%	17.2%	31.5%	-14.1%
1976	100.86	11.8%	6.5%	19.1%	-8.4%
1980	115.12	6.7%	17.9%	25.8%	-17.1%
1985	179.63	7.4%	17.6%	26.3%	-7.7%
1987	274.08	13.2%	-9.9%	2.0%	-33.5%
1989	297.47	7.1%	18.8%	27.3%	-7.6%
1997	786.16	6.1%	23.4%	31.0%	-10.8%
2013	1498.11	5.0%	23.4%	29.6%	-5.8%
2018	2822.43	5.6%	?	?	?
	Average		15.8%	24.8%	-10.7%
	Median		17.4%	26.1%	-7.9%
	% Higher		91.7%	100.0%	

As of: February 5, 2018

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Source: LPL Research, FactSet 1/30/18 via 361 Capital, LLC, *Weekly Research Briefing*, February 7, 2018, www.361capital.com

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FED WATCH

INTEREST RATES AS OF FEBRUARY 28, 2018

Fed Funds Rate Range:	**1.25% to 1.50%**
Fed Discount Rate:	**2.00%**

2018 UPCOMING FED MEETINGS SCHEDULE

March 20-21

May 1-2

June 12-13

July/August 31-1

September 25-26

November 7-8

December 18-19

BOTH STOCKS AND BONDS NEGATIVE IN 2018? NOT LIKELY

By James J. Holtzman, CFP®, Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.®

The total return of stocks, as represented by the S&P 500, and the total return on bonds, as represented by the Bloomberg Barclays U.S. Aggregate Bond Index, have not been negative in the same year at any time over the last 40 years, i.e., 1978 to 2017. That fact should calm most investors who are concerned that there will be a meltdown of their entire portfolios. However, this assumes that portfolios have both stocks and bonds in them.

Also, given the low yields of bonds (2.0% to 3.0%) and other debt securities of all types, it is unlikely that much protection will be offered by debt investments on a total return basis for a balanced portfolio (Example: 50.0% Equity, 50.0% Debt). Portfolios that have significantly more debt investments in them (Ex. 90.0%) will offer the most protection. Such portfolios will also offer very low returns.

(Source of Facts: Bloomberg Barclays)

PULSE

JANUARY WAS POSITIVE: GOOD TIMES FOR 2018 AHEAD?

By Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC

Excerpted by Diane M. Pearson, CFP®, PPC™, CDFA®, Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.®

The market's stumble in early February was so abrupt that there was no time for market numerologists to bask in the limelight of the bullish January Barometer, which holds that a stock market gain during the first month of the year is a sign of gains for the remainder of the year. Is there any truth to this old market maxim?

The Leuthold Group designed a study that eliminates the common flaw in other analyses, which is that a market gain in January (and especially one as large as this year's Dow Jones Industrial Average increase of 5.9%) will by definition lift the probability that the full year will show a gain. The relevant question is whether January is more predictive of the following eleven months' market action than any other month.

JANUARY VERSUS ANY OTHER MONTH AS A PREDICTOR OF THE STOCK MARKET'S NEXT ELEVEN MONTHS, 1915 TO 2017
("Hit Ratio" = Percentage Of Time Dow Jones Industrials Moved In Same Direction As Latest Month Over The Next Eleven Months)

	Up Market Hit Ratio (%)	Down Market Hit Ratio (%)	Total Hit Ratio (%)
January	77 ←	42 ←	64 ←
February	75	34	57
March	96	32	54
April	70	39	58
May	73	32	54
June	74	38	56
July	66	37	55
August	69	34	55
September	67	34	48
October	62	24	46
November	71	41	50
December	63	38	57
Average	70	35	55

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Accuracy Good, But No Certainty:

The answer is yes, based on historical "hit ratios" for both up and down markets in January. The "edge," though, is certainly not one to bet the farm on. A January gain, for example, has been followed by gains over the next eleven months 77.0% of the time—only a bit higher than the overall 70.0% average that any month's market increase portends a gain over the subsequent eleven months. See the chart to the right.

Betting On Market Declines:

What about the downside? Betting on a market decline for any eleven-month period is statistically a bad idea, but the best odds (at a relatively low 42.0%) for doing so occur following a January decline. As with the up-market ratio, this January down market "hit ratio" is 7.0% higher than the average of all months' results (35.0%).

Conclusion:

In all, there's at least a shard of truth in the notion that January's stock market performance
sets the tone for the remainder of the year. There's not a lot of predictive information here—just a little more than that of any other month.

Source: This article was excerpted from "How About That January?!", by Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC, (*Perception Express*, February 7, 2018), http://leuth.us/stock-market

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PULSE

Extreme Momentum, *continued from page 11*

TABLE 1

Momentum Peaks, Subsequent Bull Market Gains, And Interim Drawdowns, 1900 To Date

(Momentum measured by 14-Week S&P 500 Relative Strength Index)

(Dow Jones Industrials used prior to 1930; S&P 500 thereafter)

Dates, Momentum Peak to Bull Market High (based on weekly closing prices)	Momentum Peak to Bull Market High: Gain %	Duration (Weeks)	Max Drawdown %
November 17, 1900 - June 29, 1901	13.5	32	-6.9
December 3, 1904 - January 20, 1906	41.0	59	-6.0
August 8, 1908 - October 2, 1909	18.4	60	-7.3
October 23, 1915 - November 18, 1916	14.6	56	-11.6
June 7, 1919 - November 1, 1919	10.3	21	-5.7
December 1, 1928 - August 30, 1929	30.8	39	-11.5
February 21, 1936 - March 5, 1937	26.0	54	-6.9
November 11, 1938 - November 11, 1938	0.0	**0**	N/A
July 14, 1944 - May 31, 1946	44.9	98	-6.3
July 8, 1955 - August 3, 1956	16.4	56	-3.3
January 23, 1959 - December 8, 1961	28.6	150	-4.8
April 17, 1964 - February 11, 1966	16.5	95	-1.9
May 5, 1967 - November 29, 1968	14.8	82	-6.4
February 12, 1971 - January 5, 1973	21.8	99	-6.9
January 30, 1976 - December 31, 1976	6.5	48	-1.7
November 28, 1980 - November 28, 1980	0.0	**0**	N/A
March 14, 1986 - August 21, 1987	42.0	75	-3.3
September 1, 1989 - July 13, 1990	3.8	45	-8.4
December 8, 1995 - July 17, 1998	92.2	136	-2.8
January 8, 1999 - March 24, 2000	19.8	63	-3.9
January 24, 2004 - October 12, 2007	36.8	194	-6.8
Medians			
1900 To Date	**18.4**	**59**	**-6.3**
Latest bull market:	↕	↕	↕
January 26, 2018 - February 2, 2018	*0.0*	*1*	**-3.9**

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IMPLICATIONS OF EXTREME MOMENTUM

By Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC

Historically, leadership (of a particular style, category, asset class and/or sector) and breadth (how broad it is) accompanying an upside market move is far more predictive than the pure momentum of the move. However, when intermediate-term momentum is not just strong, but exceptionally so (as it was until just recently), there has usually been even more market upside to follow over the next several months.

In January, the Standard & Poor's (S&P) 500 momentum index had made a new bull market high in late December on the basis of the Leuthold Group's preferred intermediate-term measure: the 14-Week Relative Strength Index (RSI). January's upside explosion generated three more cycle highs in this momentum measure, culminating in the most overbought RSI reading in the history of the S&P 500 (91) on January 26th. This could very well be the momentum high for this cycle. (See chart below.)

Many technicians will describe a market as "overbought," (The Leuthold Group does not agree) since the term itself implies that prices have outdone themselves and are perhaps due for a kind of rubber-band like recoil. This may be true in the very short-term (such as the next month or two). Historically, when momentum reaches its high for a bull market cycle (a fact which obviously can only be known in hindsight), the market has been far more prone to move higher over the following 6-12 months than to top out.

Table 1, on page 10, shows that only two of the 21 cyclical bull market peaks since 1900 have coincided with the bull market peak in the 14-Week RSI. With the exception of those two instances, the bull lasted at least another 21 weeks beyond the date of the momentum peak. The best follow-through from an extreme momentum reading occurred in the 1990s' bull, when the market pushed higher for almost four years beyond its momentum peak.

Across all 21 cycles, the S&P 500 had a median gain of +18.4% over a median span of 59 weeks from the bull market momentum peak to its final price peak. Based purely on the market's recent momentum, a push to even higher highs could be in the cards for 2018.

Source: This article was excerpted from "Implications of Extreme Momentum?", by Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC, (*Perception Express*, February 7, 2018), http://leuth.us/stock-market

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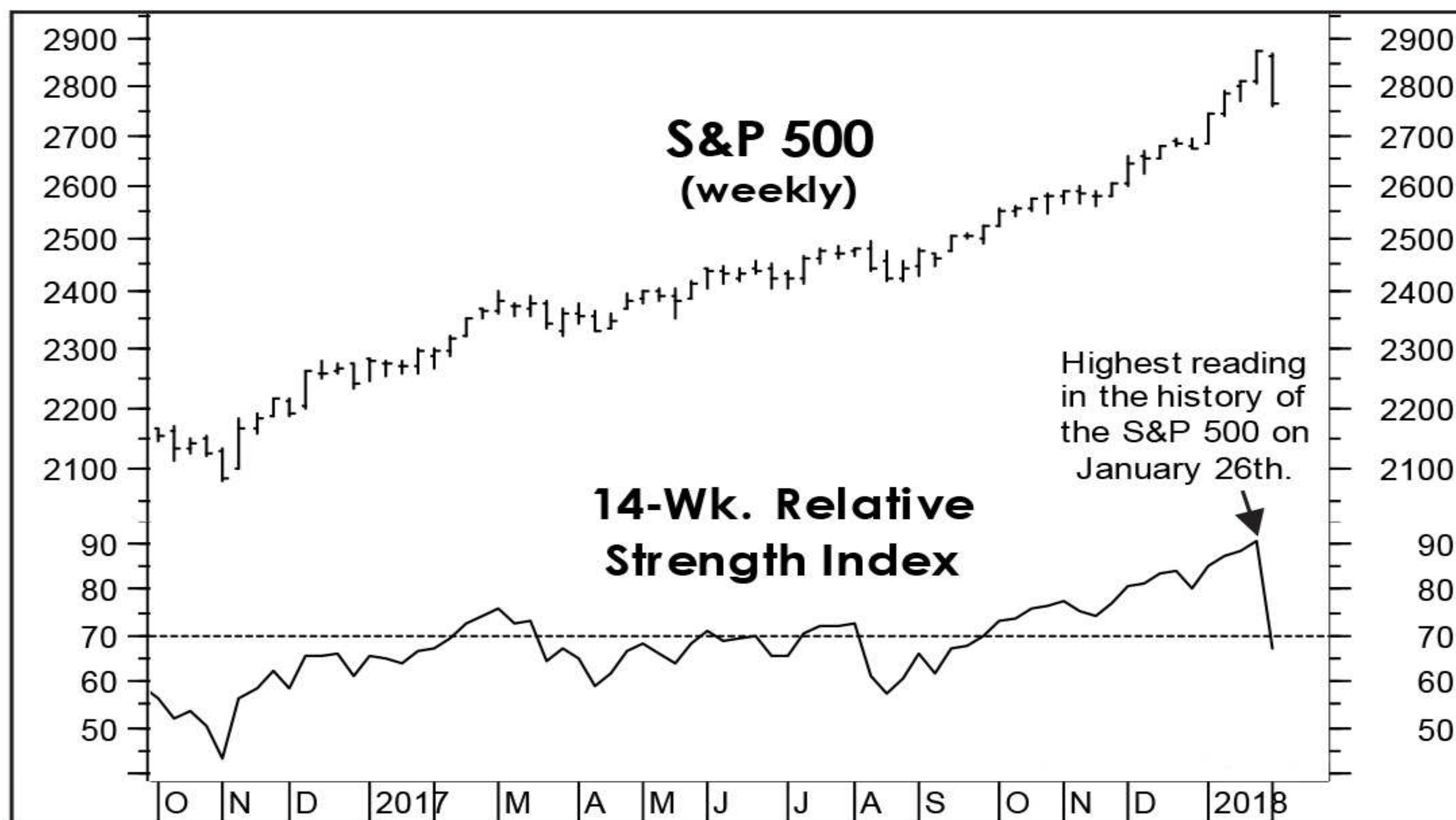
CHART 1



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Extreme Momentum, *continued on page 10*

COBALT – THE NEXT GREAT RARE EARTH/STRATEGIC METAL?

By Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors

Excerpted by Louis P. Stanasolovich, CFP®, CCO, CEO and President of Legend Financial Advisors, Inc.® and EmergingWealth Investment Management, Inc.®

Cobalt has made stunning moves in the past three years on red hot demand, rising nearly 180.0%. The brittle bluish-white metal is used in the production of lithium-ion batteries, which power smartphones and electric vehicles (EV), among other things. See "Cobalt Prices Continue to Surge on Electric Car Demand" chart on the top of page 13.

According to mining consultant CRU Group, cobalt demand exceeded 100,000 metric tons for the first time last year, and over the next 10 years, it's projected to grow at a compound annual growth rate (CAGR) of 11.6%.

Warning: Approximately two-thirds of the world's cobalt is mined in the highly unstable Democratic Republic of the Congo. A supply shortage is likely brewing. See "Cobalt Use in Electric Vehicles and Other Lithium-Ion Battery Applications" chart on the bottom of page 13.

"There just isn't enough cobalt to go around," George Heppel, a CRU consultant, told Bloomberg in January. "The auto companies that'll be the most successful in maintaining long-term stability in terms of raw materials will be the ones that purchase the cobalt and then supply that to their battery manufacturers."

Automakers aren't the only ones with this idea. Bloomberg reported this week that Apple, the world's largest end user of cobalt, is in talks to buy the metal directly from miners, a move that could save the iPhone-maker many billions of dollars.

Although details are scarce at this point, Bloomberg writes that "Apple is seeking contracts to secure several thousand metric tons of cobalt a year for five years or longer."

One of the miners the company is rumored to be speaking with is Switzerland-based Glencore, the 14th largest company in the world by revenue as of 2016, according to the Fortune Global 500. This would make sense, as Glencore—the best-performing London-listed miner last year, finishing up 41.0%—has been positioning itself as the go-to supplier of not just cobalt but other metals that are used in so-called clean tech, including copper, nickel, and zinc.

Apple is one of the world's largest end users of cobalt for the batteries inside of its various gadgets, but up until now left the business of buying the metal to the companies that make its batteries. With the rapid growth in battery demand for electric vehicles threatening to create a shortage of raw material, the tech giant maker is "keen to ensure that cobalt supplies for its iPhone and iPad batteries are sufficient," the story continues. This is almost reminiscent of when Ford started switching to a more palladium centric catalyst for emission and drove the price up ten-fold to later fall about 80.0%. However, the next generation of batteries may be cobalt free, as Nano One had developed one for commercial testing - a high voltage spinel (HVS) using lithium, manganese and nickel. Besides avoiding the high cost and supply chain risk of cobalt, the higher six-volt cells would mean fewer battery cells needed, less weight, less cost extending range, longer lifetime or better warranties, greater storage, faster charging and more power.

<u>Glencore Announces $2.9 Billion In Dividends In 2018:</u>

Furthermore, Glencore stock jumped more than 5.0% on February 21, 2018 after the company reported phenomenal performance in 2017 that CEO Ivan Glasenberg describes as "our strongest on record." Earnings before interest, taxes, depreciation and amortization (EBITDA) rose 44.0% year-over year, from $10.3 billion to $14.8 billion, led by higher commodity prices and "enhanced" mining margins.

Also, sure to make investors happy, the company also declared a distribution of $2.9 billion, or $0.20 per share, to be paid in two installments this year.

The earnings report made no mention of Apple—or smartphones, for that matter—but it did emphasize the high rate of growth in electric vehicle investment, which is expected to greatly benefit cobalt demand.

"Global automaker investments now total more than $90 billion, with at least $19 billion attributed to the U.S., $21 billion to China and $52 billion to Germany," Glasenberg writes. "Volkswagen alone plans to spend $40 billion by 2030 to build electrified versions of over 300 models."

Over the next three years, Glencore's cobalt production growth is projected at 133.0%, followed by nickel at 30.0% and copper at 25.0%.

This year alone, the company believes it will produce as much as 39,000 metric tons of cobalt, up 42.0% from 27,400 tons last year.

Source: This article was excerpted from "Gold And The Global Ticking Debt Bomb", by Frank Holmes, CEO and Chief Investment Officer, U.S. Global Investors, (*Advisor Alert*, February 23, 2018), www.usfunds.com

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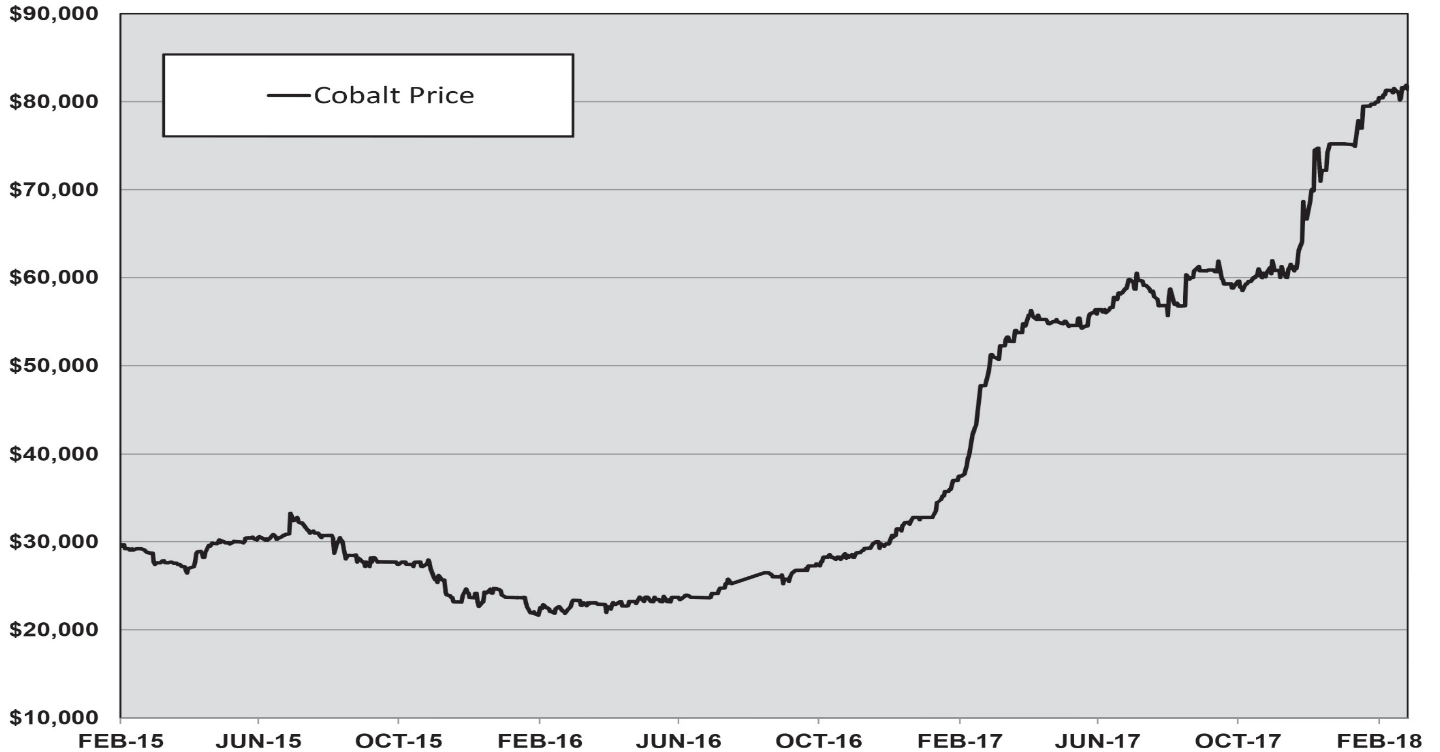
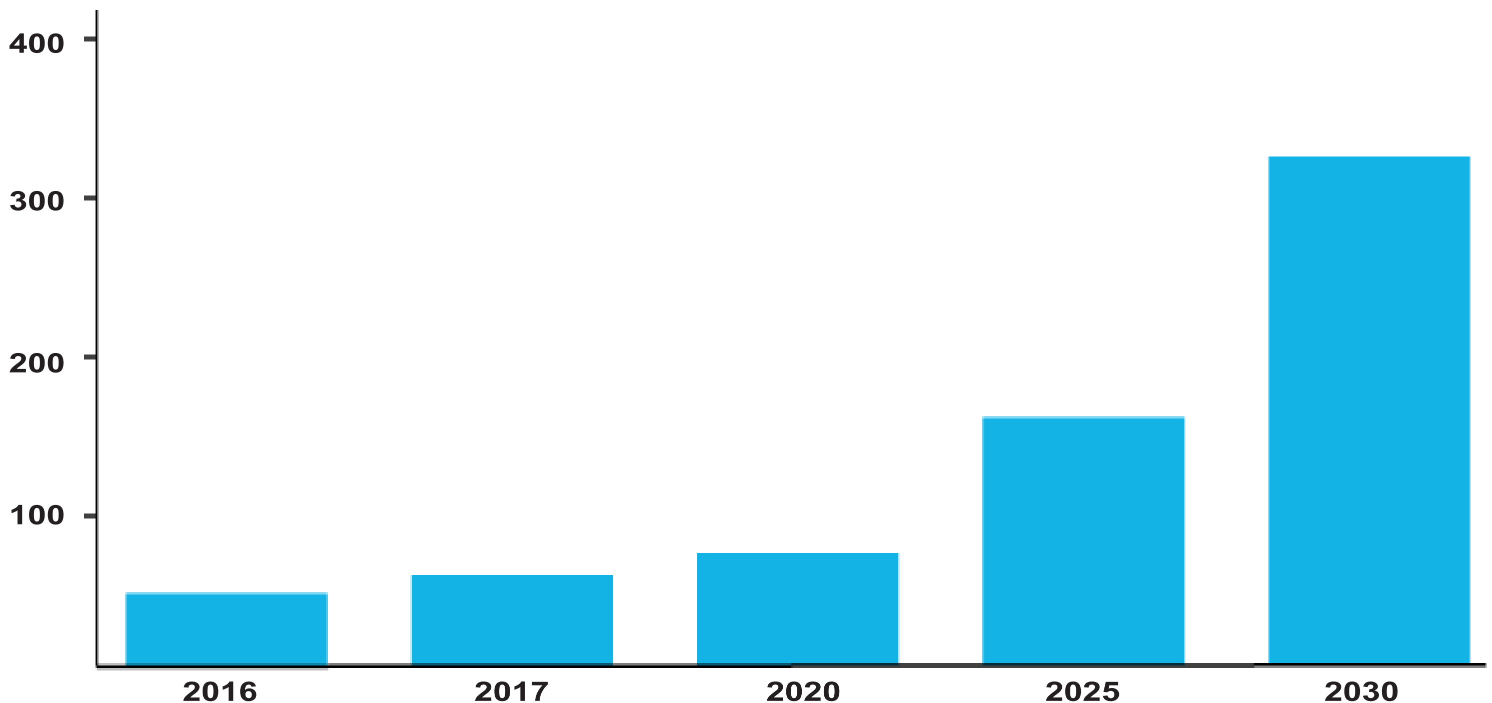
Cobalt, *continued on page 13*

Cobalt, continued from page 12





PULSE

2018 YEAR-TO-DATE PERFORMANCE

January 1, 2018 to January 31, 2018
(1 month)

	2018 Year-To-Date
Consumer Price Index (Inflation)	0.54%
90-Day Treasury Bills Index-Total Return	0.12%
Bloomberg Intermediate Term Corporate Bond Index	-0.79%
Barclays Aggregate Bond Index-Total Return	-1.15%
High Yield Corporate Bond Index – Total Return	0.14%
S&P Leveraged Loan Index – Total Return	0.99%
HFRX Global Hedge Fund Index	2.45%
S&P 500 Index (U.S. Stock Market)	5.72%
MSCI EAFE Index (Developed Foreign Equities)	5.03%
MSCI Emerging Market Index (Equities)	8.32%
Newedge CTA Index (Managed Futures)	3.90%
Dow Jones–UBS Commodity Index-Total Return (USD)**	1.85%
Dow Jones U.S. Real Estate Index-Total Return (USD)**	-2.85%
Gold Bullion	2.27%

As of: January 31, 2018

Compound and Total Returns include reinvested dividends. Newedge Index is equally-weighted.

** USD = U.S. Dollar

Source: Bloomberg Investment Service

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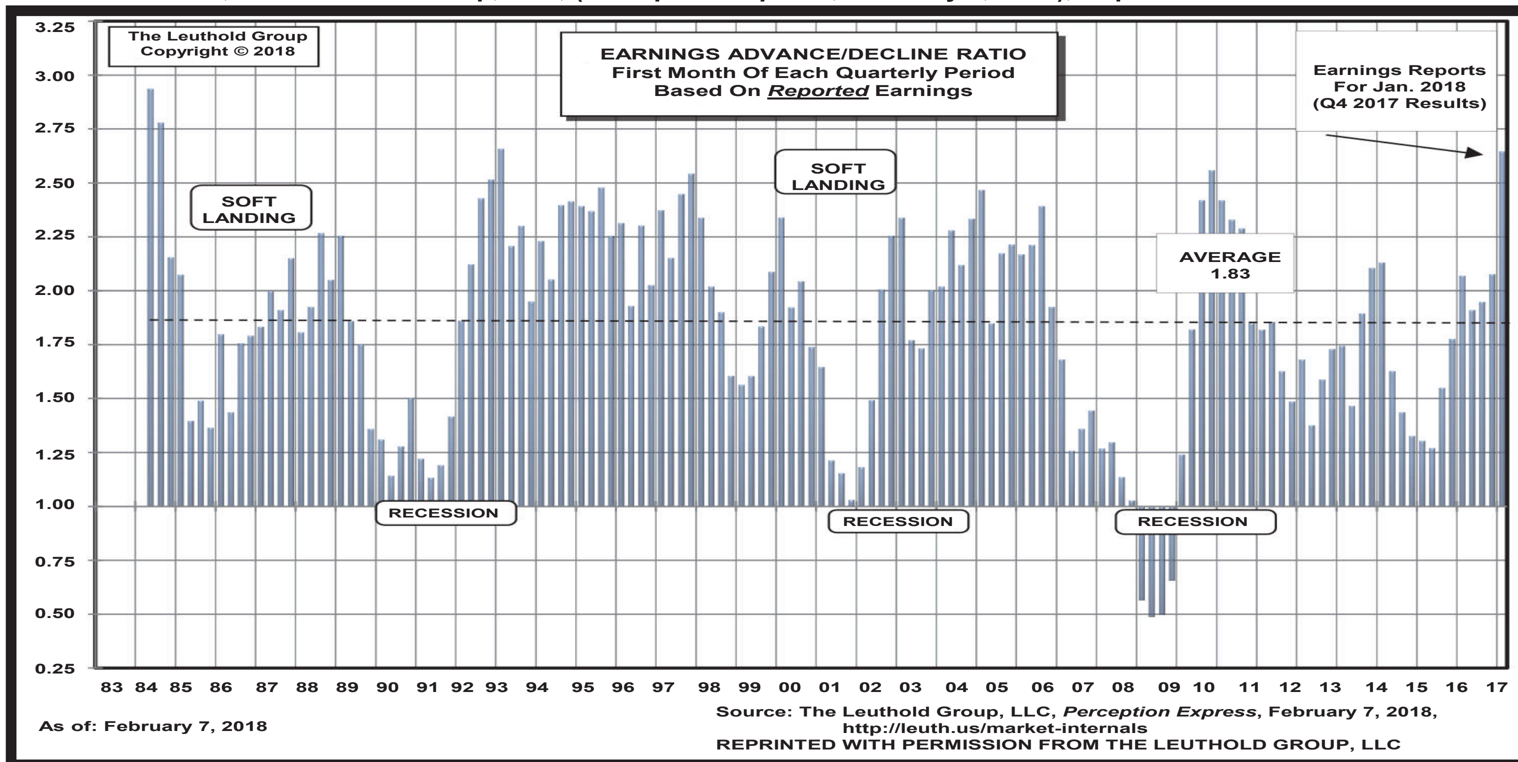
UP/DOWN EARNINGS: POP GOES THE RATIO

By Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC

We kick off the 4th quarter (4Q) 2017 earnings season with our Up/Down Ratio soaring to an impressive reading of 2.65. Surprisingly, nine years into the current recovery, this is the highest "one-month" reading we've seen since 1993. Before we break out into a chorus of "Good Times Are Here Again," please note that January has the lightest volume of "one-month" numbers—roughly half of April, July, and October's figures. A very, very impressive start to 4Q, but hold tight for a bigger sample size. See "Earnings Advance/Decline Ratio" chart below.

Source: This article was excerpted from "Up/Down Earnings: Pop Goes The Ratio", by Doug Ramsey, CFA, CMT, Chief Investment Officer, The Leuthold Group, LLC, (*Perception Express*, February 7, 2018), http://leuth.us/stock-market.



PULSE

RECESSION PROBABILITIES

	1Q		2Q		3Q		4Q	
	Current	Average	Current	Average	Current	Average	Current	Average
US	<2.5	14	5	22	19	31	34	40
Japan	4	30	21	44	38	56	52	66
Euro Area*	<2.5	28	<2.5	36	7	45	12	52
Germany	<2.5	24	<2.5	33	4	44	12	55
France	<2.5	24	9	34	21	49	32	60
Italy	<2.5	28	<2.5	36	7	45	12	52
Spain	<2.5	32	<2.5	38	5	44	10	51
UK	4	19	12	24	23	30	32	37
Sweden	<2.5	20	4	25	15	31	26	38
Norway	<2.5	13	16	31	28	45	37	55
Switzerland	10	28	23	38	33	51	41	61
Canada	5	14	17	21	30	28	40	35
Australia	<2.5	7	7	11	12	17	15	22
New Zealand	7	28	20	40	32	51	42	60
Developed Markets*	<2.5	11	<2.5	20	12	29	27	36

* Developed Markets and Euro Area recessions are defined as 50.0% or more of the constituent countries are in recession.

As of: January 16, 2018
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Source: Goldman Sachs Global Investment Research via 361 Capital, LLC, *Weekly Research Briefing*, January 16, 2018, www.361capital.com
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SECULAR BEAR MARKET WATCH

April 1, 2000 to January 31, 2018
(17 years and 10 months)

	Annual Compound Return	Total Return
Consumer Price Index (Inflation)	2.09%	44.78%
90-Day Treasury Bills Index-Total Return	1.55%	31.51%
Barclays Aggregate Bond Index-Total Return	4.96%	137.38%
High Yield Corporate Bond Index – Total Return	8.95%	361.82%
S&P Leveraged Loan Index – Total Return	4.96%	137.38%
HFRX Global Hedge Fund Index	2.68%	60.29%
S&P 500 Index (U.S. Stock Market)	5.64%	166.42%
MSCI EAFE Index (Developed Foreign Equities)	4.28%	111.12%
MSCI Emerging Market Index (Equities)	8.09%	300.90%
Newedge CTA Index (Managed Futures)	4.85%	133.07%
Dow Jones–UBS Commodity Index-Total Return (USD)**	-0.52%	-8.85%
Dow Jones U.S. Real Estate Index-Total Return (USD)**	10.46%	490.80%
Gold Bullion	9.17%	379.06%

As of: January 31, 2018

Compound and Total Returns include reinvested dividends. MSCI Indexes do not include dividends prior to 2002. Newedge Index is equally-weighted.

** USD = U.S. Dollar

Source: Bloomberg Investment Service

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Note: During Secular Bear markets U.S. Stocks have historically returned a little more than inflation or a little less than inflation—plus or minus 1.50%—and generally last between 15 to 25 years. The last Secular Bear market (1966 to 1982) lasted 17 years and underperformed inflation by approximately one-half of one percent per year. The other Secular Bear markets since 1900 were 1901 to 1920 and 1929 to 1949. In both cases, the U.S. Stock market outperformed inflation by approximately 1.50% per year. All of the aforementioned performance numbers are pre-tax.

The performance of the U.S. Stock market so far in the current period (April 1, 2000 to the present) certainly appears to indicate that we are in a Secular Bear market. Long-term returns (over the next 10 years) for the S&P 500 will probably be slightly worse than the last 17 years and 01 months. Current 10 year normalized P/Es (long-term valuations) indicate approximate annual compound returns of slightly less than 3.00% over the next 10 years. Of course during the next 10 years, returns during various periods will be significantly higher and lower than the expected return. For example, the more the stock market rises in the near term, the less returns after that period will be and vice versa.

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Legend Financial Advisors, Inc.® (Legend) and EmergingWealth Investment Management, Inc.® (EmergingWealth) offer Personalized Investment Management Services to individuals and institutions. Investment portfolios are developed to match the client's return and risk requirements, which are determined by the clients' completion of a Risk Comfort Zone Questionnaire, with the guidance of a Legend Wealth Advisor or EmergingWealth Advisor, respectively. Each type of investment portfolio is managed to achieve the short, intermediate and long-term investment objectives of the client, as may be applicable.

INVESTMENT PROCESS

Investment Portfolios:

Unlike most financial advisory firms that offer one style of investment or portfolio type, we offer a wide array of investment portfolios that usually fit with the large majority of client needs. If necessary, we will create customized solutions as well. For the types of investment portfolios, please see our Investment Portfolios, Potential Return and Risk Spectrum Chart on the next page. For a detailed description of our portfolios, please contact Louis P. Stanasolovich, CFP®, founder, CCO, CEO and President of both firms for a confidential discussion at (412) 635-9210 or e-mail us at legend@legend-financial.com.

Investment Research:

Our Investment Committee performs extensive research to identify opportunities, mitigate risks and structure investment portfolios. Emphasis is placed on developing portfolios that maximize the potential return relative to the amount of risk taken.

In-depth due diligence including face-to-face interviews in many instances with portfolio managers for open-end mutual funds is performed on each investment we select for a portfolio. Factors (both from a qualitative and quantitative standpoint) that we conduct a thorough analysis of each investment include, but is not limited to, liquidity (including the primary investment and/or the underlying investments, if utilizing pass through vehicles such as open-end mutual funds or exchange-traded products), income taxation, all related costs, return potential, drawdown potential (historical declines from peak-to-trough), volatility and management issues (Anything having to do with the management team of a stock, open-end mutual fund or an exchange-traded product.).

All portfolios for EmergingWealth are subadvised by Legend.

Client Education:

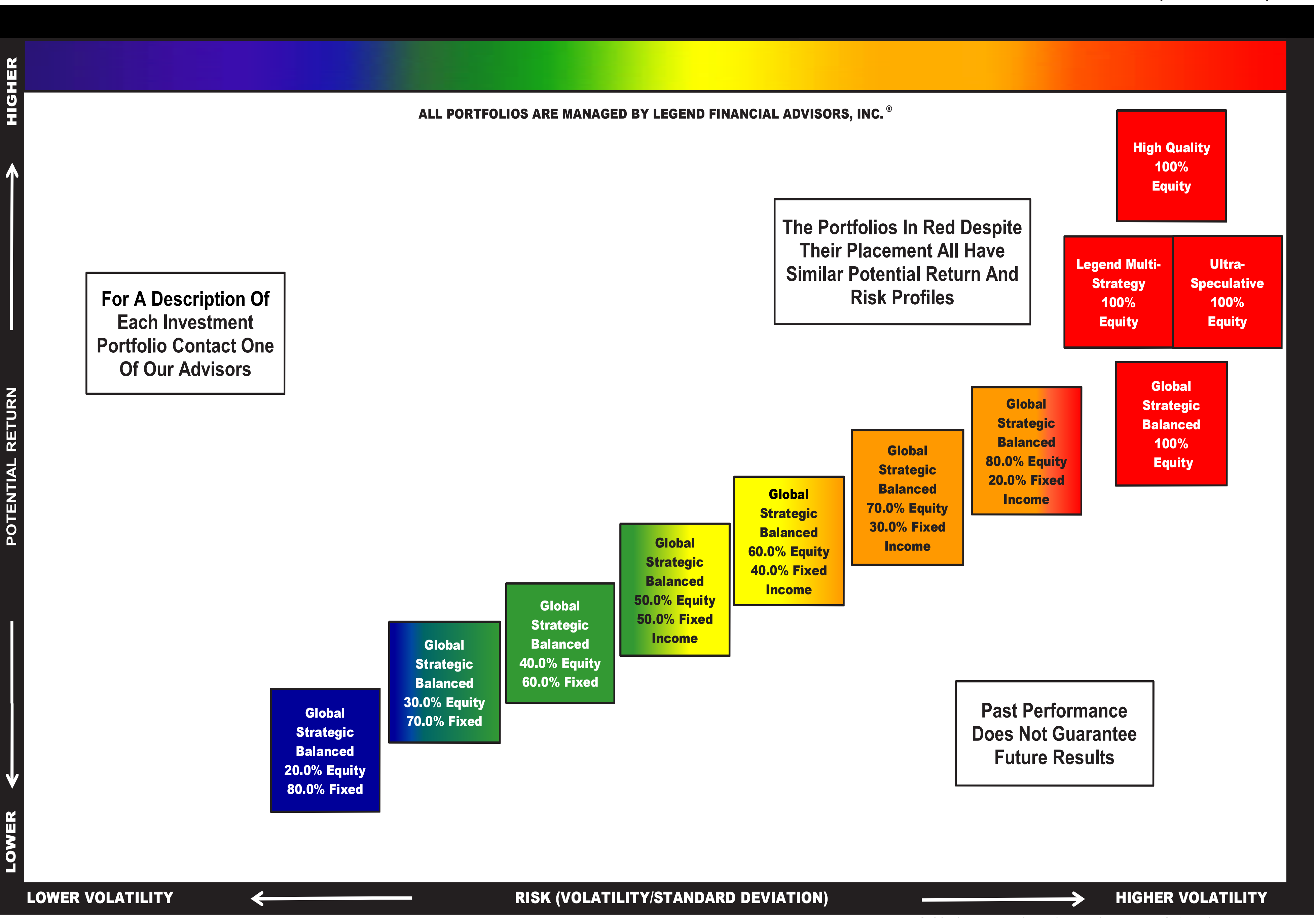
Education is very important to us. We are dedicated to educating each client about the different investment portfolio types and how they relate to market volatility, time horizons, and investment returns. It is our goal to ensure that the client understands and agrees with our investment philosophy. Furthermore, we assist each client in selecting a risk tolerance level with which they are comfortable. Ultimately, an investment portfolio is designed to meet the client's objectives.

PERFORMANCE REPORTING

Many investment firms only offer monthly brokerage statements, which provide minimal information; typically only account and investment balances. We, on the other hand, provide detailed quarterly reports that outline performance, income and management fees (among other items) in a simple, easy-to-read report. In addition, each performance report is sent with an extensive index page that illustrates the investment environment during the reporting period.

FEES

To find out more about the fees for either Legend or EmergingWealth's Investment Management services, please contact Louis P. Stanasolovich, CFP®, founder, CCO, CEO and President of both firms for a confidential discussion at (412) 635-9210 or e-mail us at legend@legend-financial.com.



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Ultra-Speculative 100% Equity
Global Strategic Balanced 100% Equity
Global Strategic Balanced 20.0% Equity 80.0% Fixed
Global Strategic Balanced 30.0% Equity 70.0% Fixed
Global Strategic Balanced 40.0% Equity 60.0% Fixed
Global Strategic Balanced 50.0% Equity 50.0% Fixed Income
Global Strategic Balanced 60.0% Equity 40.0% Fixed Income
Global Strategic Balanced 70.0% Equity 30.0% Fixed Income
Global Strategic Balanced 80.0% Equity 20.0% Fixed Income
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