

July 13, 2017

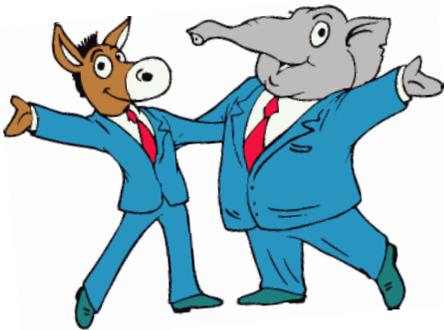
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How is the stock market doing?

The stock market just finished the second quarter of 2017. Thus far, in my opinion, most of the equity market indices have shown a very good return for the year. The tech-laden NASDAQ has done the best domestically. We are just entering the earnings release period and many companies that pre-announced earnings or forecasts are getting punished, (e.g. O'Reilly Auto Parts and Diebold).^{1,2} I believe starting with the first quarter of 2017 there has been a meaningful upward change to earnings for the S&P 500. In my opinion this is primarily driven by an upturn in the industrialized world which seems to be economically more robust. Japan and China seem to be doing better, and also Europe, who has been a weak union with the exception of Germany rebounding. In fact, I've heard talk that European central banks might consider stopping their stimulus and consider raising rates.³ We are certainly getting closer to most of the industrialized world countries and central banks not needing to provide the great liquidity that used to stimulate the economy following the 2008 crash. However, one must remember that we've had a long and

lackluster recovery in the United States. GDP growth has averaged around 2% per year for the last 8 years.⁴ I don't think the U.S. will go to 3% growth unless our political parties get some form of an agreement for increased infrastructure spending and a corporate tax cut/repatriation. I don't believe in the short-term that healthcare reform is as important as the other issues mentioned but healthcare reform is certainly important long-term. In addition, less regulation is important but needs to be done in a gradual way.



The leadership in the stock market continues to be the big cap technology companies that are dominant in their respective categories. We addressed some of the names in previous newsletters. These companies are not just affecting our economic conditions but our lifestyles as well. Just as we went through a technology revolution in the late 1990s with the internet, I think there are a lot of similarities in what is happening today. There is tremendous disruption going on. I believe this time around, the U.S. is seeing other countries embrace this new technology faster and trying to internally embrace it with competitive technology developments. One example is China, who in the late 1990s would practically do anything to protect a job at the expense of capital. Today, I see significantly less of this going on and they are the largest buyer of robotic equipment.⁵ Both companies and countries are trying to be more competitive and technology is playing a greater role in this.

Even though there are similarities today to the 1999-2000 tech revolution, I believe valuations in the stock market are not nearly as crazy as they were in 2000. Secondly, we have different market conditions such as lower interest rates, low inflation, and weak wage growth that dampen the bubble-like characteristics of 2000.

Conclusion

In conclusion, with the tech revolution, I think it will be more difficult for the average worker to achieve job security, higher wages and benefits. However, I do see the transfer of technology being adapted for the masses at a quicker pace which would help contain inflation short-term but lead to a better lifestyle for most. An example of this is auto safety features. Airbags and rear cameras in cars started in higher end vehicles and now they are in many of the automobiles in all price categories. Technology advances are coming so we must adapt. The companies that adapt and embrace should be rewarded and are more likely to survive. At Saleeby & Associates, Inc. we will do our best to monitor and capitalize on trends and opportunities when we see them. As Wayne Gretzky once said, "You want to skate to where the puck is going, not where it has been,"⁶ and we try to do the same.

On a personal note, thank you for your trust, friendship and business. I've had several people asking if I'm going to retire soon. While I have worked in this business for 35 years, I'm as energetic and dedicated to servicing your needs as I've always been. My wife says I will work until I die, and God willing, I plan to live a long time! While no one can live, or work, forever, let me assure you I plan to continue my practice for at least ten more years. Warren Buffett states that he tap dances to work each day⁷... I can honestly say that I walk fast to work each day. I thoroughly love my job and want to continue to help my clients achieve their financial goals. I enjoy working 7 days a week (65+ hours) to research investment options and share my insights via discussions and my newsletter. What I find most rewarding is when I find that gem of a company that can improve my client's returns and accelerate their G.O.D. (goals, objectives and dreams). But the biggest compliment someone can give me is referring my services to family and friends. My only stipulation for new clients is they must meet a minimum of \$350,000 in investment assets, unless they're immediate family members of my existing clients. This is because our strategies are complex and equity centric. To sum it up, I take my responsibilities and your trust very seriously and want to ensure you that I and my staff are dedicated to servicing your needs. We look forward to meeting your needs today, to give you the best chance to meet them in the future, and to a long and productive future together.



Optimistically Yours,

A stylized, handwritten signature in black ink, appearing to read 'R. Saleeby'.

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Achieving your goals is our passion

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Did You Know?

Shrink Your Small Biz Salary and Your Tax Bill

<https://www.forbes.com/sites/kellyphillipserb/2017/06/13/shrink-your-small-biz-salary-and-your-tax-bill/#6a9c961c6bc0>

Is Your Job About to Disappear?

<https://www.bloomberg.com/graphics/2017-jobs-automation-risk/>

Robots Could Dramatically Change the Nature of Retail Jobs

<http://www.businessinsider.com/robots-could-dramatically-change-the-nature-of-retail-jobs-2017-6>

Gift Tax: 6 Ways to Avoid Paying the IRS

<https://www.fool.com/taxes/2017/06/27/gift-tax-6-ways-to-avoid-paying-the-irs.aspx?source=isesitlnk0000001&mrr=1.00>

The Biggest Living Donors in Every State

<https://www.philanthropy.com/article/from-alaska-to-florida-top/240383>

Being ‘Rich’ Comes Down to Only Two Things

<http://www.businessinsider.com/how-to-be-rich-2017-6>

Henry Singleton: A Man Even Buffett Envied

<https://www.gurufocus.com/news/536685/henry-singleton-a-man-even-buffett-envied>

Is a Living Trust Right for You and Your Family?

<https://www.fool.com/retirement/2017/06/27/is-a-living-trust-right-for-you-and-your-family.aspx?source=isesitlnk0000001&mrr=0.50>

IRA Trusts Can Protect Your Heirs from Themselves

<http://www.cnbc.com/2017/06/13/ira-trusts-can-protect-your-heirs-from-themselves.html>

Health Care Sticker Shock Awaits You in Retirement

<https://www.bloomberg.com/news/articles/2017-06-22/here-s-what-you-need-to-save-for-health-care-in-retirement>

What Doctors Can Tell About Your Health by Looking in Your Eyes

<http://www.businessinsider.com/symptoms-disease-eyes-diabetes-allergies-cancer-2017-6>

Did You Know?

Cancer Doctors Turning to AI for Second Opinion

<http://www.businessinsider.com/sc/ibm-ai-cancer-research-cure-2017-6>

7 Secrets to Getting a Good Night's Sleep

<http://www.businessinsider.com/sleep-science-patrick-fuller-harvard-good-snooze-2017-6>

Most U.S. Homes Are Worth Less than Before the Crash

<https://www.bloomberg.com/news/articles/2017-05-03/most-u-s-homes-are-worth-less-than-before-the-crash>

39 Million Americans Can't Afford Their Homes

<https://www.fool.com/retirement/2017/06/24/39-million-americans-cant-afford-their-homes.aspx?source=isesitlnk0000001&mrr=1.00>

The 3 Fastest Ways to Get Rid of a Sunburn

<http://www.businessinsider.com/best-sunburn-remedies-doctor-recommended-2017-6>

Olive Oil – Here's How to Find the Real Stuff

<http://www.businessinsider.com/where-how-to-buy-real-extra-virgin-olive-oil-2017-6>

Making the Perfect Big Juicy Burger-Bizarre Ingredient

<http://www.businessinsider.com/top-chef-graham-elliott-bizarre-ingredient-perfect-big-juicy-burger-ice-cube-2017-6>

How to Clean Your Cutting Board

<http://www.businessinsider.com/how-to-clean-a-cutting-board-2017-6>

Footnotes

- 1 Kruzman, Diana (2017, July 5) "O'Reilly Auto Parts Stock Drops After Slow Growth".USA Today. Retrieved from <https://www.usatoday.com/story/money/cars/2017/07/05/oreilly-auto-parts-stock-drops-after-slow-growth/103445156/> 13 Jul 2017
- 2 (2017, July 12) "Falling Earnings Estimates Signal Weakness Ahead for Diebold Nixdorf(DBD)".Zacks Equity Research Retrieved from <https://mrtopstep.com/falling-earnings-estimates-signal-weakness-ahead-for-diebold-nixdorf-dbd/> 13 Jul 2017
- 3.Fairless, Tom (2017, March 9) "ECB Won't Apply Brakes to Stimulus-Yet": Retrieved from <https://www.wsj.com/articles/ecb-leaves-rates-borrowing-costs-unchanged-1489064015> 13 Jul 2017
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