

# The Value Investor Note

*Insights & Think Pieces for the Prudent Investor*  
July 14<sup>th</sup> 2017

**Market Snapshot**  
DOW JONES: 20,957.90  
S&P500: 2,388.13  
NASDAQ: 6,072.55

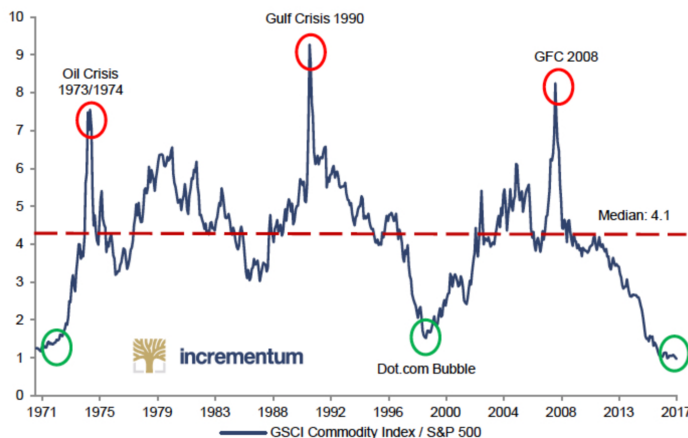
## Noteworthy Events in the Market

The markets are suspiciously quiet. Is this the calm before the storm/a stock market correction from all time highs or the start of the "Dogs Days of Summer"? Probably the latter as many traders, especially in Europe, take long summer holidays. With many traders gone the markets are normally much quieter in the summer months.

The G20 meetings last week were uneventful over all; US unemployment numbers remained healthy at 4.4% unemployment rate with 220,000 new jobs created. Still of concern is that 'real wages' are incredibly low. The jury is still out in Europe and the UK as far as Brexit. As well the North Korean saga continues but at present no significant escalation on either side.

Taking a brief look at commodities, we are reaching never before seen levels of commodity/stock ratios. The past few years have hit commodities very hard across the board. Gold hit \$1205 this past week in a major drop. See the below picture for a stunning visual of the ratio of commodities to stock prices.

**GSCI/S&P500 ratio: equities expensive, commodities cheap?**



As such our investment position will continue a conservative course of action presently while looking for buying opportunities where possible.

## The Financial Breakdown Corner

*This month we're introducing a new segment where we break down complex financial terms. Let us know what you think!*

### ETFs: Buyer Beware

Today's topic is on the very popular but often misunderstood Exchange Traded Funds (ETFs).

#### What are they?

Complex financial products that mimic an index (think S&P 500), a sector, or a geographical region. These are similar to mutual funds.

#### What are the differences?

ETFs can be traded during regular trading hours, unlike mutual funds which can only trade once at the end of the day.

#### Why all the hype?

ETFs are an easy way to own an index or industry, and most investors believe it's very cost effective. This has caused the ETF industry to grow 20% a year for the last decade.

#### Are they Dangerous?

In our opinion: very. ETFs are automated and use algorithms to keep balanced. We have seen once how they react to heavy selling, and this resulted in the "Flash Crash" where ETFs suddenly traded for less than a dollar in seconds. 70% of canceled trades that day were ETFs!

*Give us a call with comments and questions!*

## Summer Reading List

Whether you're taking time off to travel the world or staying at home with the family, grab one of these titles to pass the time! From enhancing your business education to thought provoking reads, we've got you covered this summer.

**Sapiens: A Brief History of Mankind, by Yuval Noah Harari** – This was one of our favorite books this year. Yuval does a very good job giving a look at our past and how it affects us now. For a bonus check out his most recent book: *Homo Deus: A Brief History of Tomorrow* for a chilling prediction of our future.

**Business Adventures, by John Brooks** – Recommended by numerous investors like Warren Buffet, this short read gives 12 excellent mini case studies that people in all industries can learn from.

**Money: Master the Game, by Tony Robbins** – Tony interviewed 100 of the greatest investors of our time, such as Ray Dalio and Sir John Templeton. This book breaks down complex financial ideas and gives the reader an astonishing look into what the best traders today are investing in.

**The Signal and the Noise: Why Most Predictions Fail – but Some Don't – by Nate Silver** – this book details the art of using probability and statistics as applied to real-world circumstances. The book includes richly detailed case studies from baseball, elections, climate change, the financial crash, poker, and weather forecasting.

**The Three-Body Problem, by Liu Cixin** - Dive into this unbelievably realistic series written by the #1 Science Fiction writer in China (Translated into English). The blend of Chinese culture paired with predictions of our future society makes this a quite fascinating read. Written in 2006, this is still one of the most popular sci-fi books in China today.

**The Singularity Series, by William Hertling** – What if Google developed AI that could think on its own? This fictional book gives a horrifying glimpse on the dark side of AI in the next 100 years. There are 4 books in the series and are light and quick reads.

*This report is published solely for information purposes and is not to be construed as an offer to sell or the solicitation of an offer to buy any security. Olivar & Associates LLC and one or more of its officers may have a position in the securities discussed herein.*