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**Summer/Fall 2017**

## **‘Black’ Moon Rising**

**W**e chose to combine our summer and fall newsletters into one as we were eager to analyze the ‘Great American Eclipse’ and the subsequent reactions since that day. First, we are happy to report, we all made it. Second, we were thrilled about the positive media coverage around the event. It seems in this day and age we are bombarded with anticipatory fear. It is the new reality that we are constantly reminded of the bad which is around us and of course that which is around the corner....BOO! An article written by Neil Strauss which was published in the October 6th, 2016 edition of Rolling Stone Magazine, “Why we’re living in the Age of Fear”, spoke to this new reality of fear. As quoted in the article, “According to Lewis & Clark College president Barry Glassner, one of the country’s leading sociologists and author of The Culture of Fear, ‘Most Americans are living in the safest place at the safest time in human history.’ Around the globe, household wealth, longevity and education are on the rise, while violent crime and extreme poverty are down. In the U.S., life expectancy is higher than ever, our air is the cleanest it’s been in a decade, and despite a slight uptick last year, violent crime has been trending down since 1991.” As reported in The Atlantic, “2015 was the best year in history for the average human being.” Even in the midst of one of the longest running U.S. equity bull markets in history, investor sentiment is low. As of August 17th, The American Association of Individual Investors (AAII) survey, which comes out weekly, indicates that all three indicators (bullish, neutral or bearish) are very close to each other; though optimism remains below average while pessimism is rising for the third consecutive week. CNN Money also has a similar indicator, the ‘Fear and Greed Index’ which upon this writing is at 23 (0 being extreme Fear and 100 being extreme Greed). Based on the color coding from that chart (Fear=Red, Greed=Green) we assume that greed is good. We can think of only one person that lived by the motto ‘greed is good’, Gordon Gecko, and it didn’t turn out so well for him. Therefore we continue to remain optimistic given the direction the needle is pointing.



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Through all of this continued pessimism and fear, the U.S. economy and equity markets continue to strengthen with the Dow Jones Industrial Average closing at another all time high on September 20th, 2017 at 22,412.

## Broken Window

Unfortunately, we are not completely full of good news. Since the setting of the Great American Eclipse, we have seen substantial destruction from three separate hurricanes, Harvey, Irma and Maria, which is bearing down on the eastern seaboard of the United States as we write this. A number of you, whom we personally know and care about greatly, were effected in some way or another. Our thoughts go out to you and your families. No amount of planning can prepare oneself for such devastation. Typically, prior to or after a natural disaster, there is much speculation that this will be a boon to the impacted area because of the future rebuilding that will take place. However, history tells us that it just isn't so after disasters such as these. In 1850, French Economist Frédéric Bastiat introduced an essay entitled, *Ce qu'on voit et ce qu'on ne voit pas (That Which Is Seen and That Which Is Not Seen)*, to illustrate why destruction and the money spent to recover from destruction is not actually a net benefit to society, also known as the "broken window fallacy". This theory seeks to show how opportunity cost, which is defined as "the loss of potential gain from other alternatives when one alternative is chosen", affect economic activity in ways that are "unseen" or ignored. Picture this: You wake up in your small hamlet in the south of France and find a brick thrown through the baker's window. The townspeople gather and discuss the destruction and how it may have happened and who could have done such a thing. Conversation then leads into the benefit this will have on the local economy now that the baker needs to replace his window. "Not so fast", says the cobbler, who speaks up and says, "if the baker needs to buy a new window, who is going to pay for the shoes she just constructed for him?" Those shoes would have been new economic activity, not replacement activity for what was recently destroyed. Because of opportunity cost, the broken window does not actually add to economic growth, in fact it may be lost output over time. Therefore, we do not anticipate a huge economic boost because of these disasters. Things that have been destroyed will need to be replaced, and funds will be earmarked to rebuilding things lost versus new development in those respective communities. That said, we continue to predict a



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strengthening economy both domestically and abroad as well as strong equity market performance across the globe as we close out this year. Our continued optimism is based on entrepreneurial activity along with innovation and creativity that happens in spite of natural disasters. As much as outside influencers try to stop it, the sun will rise tomorrow, and we will prosper another day.

## New Home

As previously communicated, our three locations in Omaha are moving under one roof! We will be officially operating from 450 Regency Parkway on October 16th, 2017. We look forward to seeing you there!

**We are moving!**

Visit us at our new location, 450 Regency Parkway, Suite 400 beginning Monday, October 16, 2017.

old location

450 Regency Parkway  
← new location

The two Omaha branches of D.A. Davidson & Co. are moving to a new Omaha location, just a few blocks south of the current offices. Call our main office at: (402) 898-1700 | (866) 865-1700

Our direct dial numbers will remain the same.

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Enjoy the fall season!

Randy, Trevor and Ashley



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