

Actionable Steps for the Current Market



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As a follow-up to [last week's commentary](#) about the recent bout of downside volatility and how many stocks are performing worse than the major indexes, I want to discuss strategies this week. Specifically, actionable steps you can take between now and the end of the year.

None of these will be purely tactical in nature (e.g., “reduce your exposure to tech stocks”) because my crystal ball remains cracked. In fact, they don’t require a forecast to be correct at all. Rather, these action items are meant to be an outlet for your emotions by giving you something rational you can do now.

Accelerate Your Retirement Savings

Contributions: If you’re making regular contributions to an individual retirement account (IRA), a Roth IRA or a similar type of account, consider making a single large contribution now instead of several smaller contributions between now and the end of the year (or by next April). Doing so will put extra cash into your account to invest should the markets dip further. Establish a decline percentage you’d invest contributed cash at if stocks fell that far (e.g., the S&P 500 index falls 15% from its high) and a date you’ll invest any excess cash in your account if the drop doesn’t occur by then (e.g., December 31). This is what I did in February with my then-remaining 2017 IRA contributions.

THINGS YOU CAN DO NOW

- A BIGGER IRA DEPOSIT
- BARGAIN HUNT
- TAKE CAPITAL LOSSES
- CONVERT TO A ROTH
- FUND A CASH BUCKET
- REBALANCE
- LADDER CDs & BONDS
- LOOK AT PRICES LESS OFTEN

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AAll Model Portfolio Update

No changes were made to the [Model Shadow Stock Portfolio](#). The next quarterly review will take place at the end of November.

The market turned bearish for small-company stocks during September, with the Model Shadow Stock Portfolio giving up 6.7% during the month and dropping back into negative territory for the year, with a 1.3% loss. The Vanguard Small Cap Index fund ([NAESX](#)) lost 1.5% during the month, while the DFA U.S. Micro Cap fund ([DFSCX](#)) lost 2.4% during September. The S&P 500 index, as measured through the Vanguard S&P 500 Index fund ([VFINX](#)), gained 0.6% during September and was up 10.4% for the year.

Since its inception in 1993, the AAll Model Shadow Stock Portfolio has a compound annual average return of 15.4% versus the Vanguard 500 Index fund's gain of 9.7% per year on average. Over the same period, the Vanguard Small Cap Index fund posted an average annual gain of 10.4%.

More on AAll.com

- [Capital Pains: Rules for Capital Losses](#) - This article discusses the rules for capital gains and losses and how the two can offset each other.
 - [The Level3 Withdrawal Strategy to Maximize Your Long-Term Wealth](#) - James Cloonan and John Bajkowski explain how a cash bucket can be used in a broader retirement withdrawal strategy.
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Highlights from this month's *AAll Journal*

- [Learning From the Mistakes Made by Legendary Investors](#) - Even the best-known investors have made mistakes, including the 10 common ones highlighted in this article.
 - [Companies Surpassing Industry Norms](#) - These 15 stocks are cheaper than their peers yet are more profitable and have lower levels of proportionate debt.
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AII Sentiment Survey

For the second consecutive week, more than a third of survey respondents say they are pessimistic about the short-term direction of stocks. Plus, this week's special question asked AII members how the stocks they own are performing relative to the major indexes. [More about this week's results.](#)

This week's results:

- Bullish: 33.9%, up 3.3 points
- Neutral: 31%, down 2.9 points
- Bearish: 35%, down 0.4 points

Historical averages:

- Bullish: 38.5%
- Neutral: 31.0%
- Bearish: 30.5%

Take the [Sentiment Survey](#).

What's Trending on AII

1. [Future Retirees at Greater Risk of Hardship](#)
 2. [Learning From the Mistakes Made by Legendary Investors](#)
 3. [Grasshoppers and Ants in Retirement](#)
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The Week Ahead

Our Investor Conference will be held next Friday through Sunday. Those of you who will not be attending the conference can still access [audio recordings of the speakers and their presentations.](#)

We're going to start moving into the heart of third-quarter earnings season with approximately 160 members of the S&P 500 scheduled to report. Included in this large group are Dow Jones Industrial components 3M Co. ([MMM](#)), Caterpillar Inc. ([CAT](#)), McDonald's Corp. ([MCD](#)) and United Technologies ([UTX](#)) on Tuesday; Boeing Co. ([BA](#)), Microsoft Corp. ([MSFT](#)), Verizon Communications

Inc. ([VZ](#)) and Visa Inc. ([V](#)) on Wednesday; and Intel Corp. ([INTC](#)) and Merck & Co. ([MRK](#)) on Thursday.

The week's first economic reports will be the September new homes sales and the Federal Reserve's periodic Beige Book report, both of which will be released on Wednesday. Thursday will bring September durable goods orders, September pending home sales and September international trade data. The University of Michigan's final October consumer sentiment survey and the first revision to third-quarter GDP will be released Friday.

Five Federal Reserve officials will make public appearances: Minneapolis president Neel Kashkari and Chicago president Charles Evans on Tuesday; Atlanta president Raphael Bostic on Tuesday and Wednesday; St. Louis president James Bullard on Wednesday; and Cleveland president Loretta Mester on Wednesday and Thursday.

The Treasury Department will auction \$38 billion of two-year notes on Tuesday, \$19 billion two-year floating rate notes and \$39 billion of five-year notes on Wednesday and \$31 billion of seven-year notes on Thursday.

Local Chapter Meetings

AAII Local Chapter Meetings offer you a variety of presentations from expert speakers who will give you their view on the world of investing. A bonus of attending a Chapter Meeting near you is the opportunity to meet other AAI members who share your interest and enthusiasm for investing. You can even share the Chapter experience with your family and friends by inviting them to attend Chapter Meetings with you!

[Upcoming Meetings »](#)