

SCS Connection

Southern Capital Services, Inc.
Registered Investment Advisor Since 1982

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Volatility Returns to the Stock Market

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For almost two years the stock market had not experienced so much as a five percent correction. Month after month the market advanced and the investing public began to think that stock prices only move in one direction. Then, strong economic news (a better than expected employment report) set off fears that the economy is too strong and inflation will return which will cause the FED to raise interest rates too rapidly. This was the excuse that triggered the long overdue correction. Volatility was unleashed and for over a week investors witnessed 500 to 1,000 point swings daily, and most of the action was on the downside. When the week ended, the market had declined by about ten percent. No one can definitively know when the correction will end, but economic fundamentals are strong and ultimately the market reflects the economy.

Some of the fundamentals alluded to in the previous

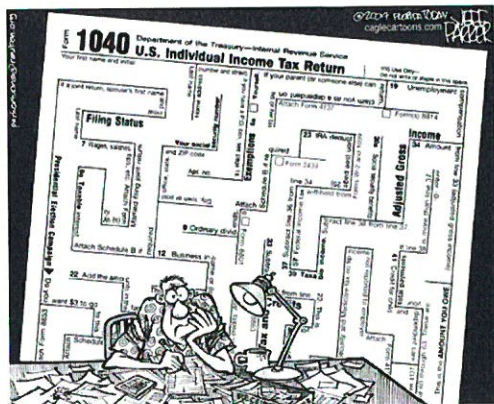
paragraph are: growth in the GDP, increasing corporate profits, lower unemployment, and global economic expansion. Gross Domestic Product has grown from averaging about 1.8% per year up to the 3% level and is forecast to grow even more. Corporate profitability over the last year has been strong and is expected to increase by 10% to 15% in 2018. The unemployment rate is very low at 4.1% and is expected to go even lower while average earnings are beginning to increase. Finally, growth is going on all over the world; this enables the US to have viable markets to sell American-made goods. Also, the FED will likely continue to raise rates but is unlikely to raise them at a pace that will destroy the economy which they have worked so hard to recover. To repeat: no one knows the precise duration or depth of the correction but economic activity and corporate profitability (which are strong) are the ultimate drivers of stock prices. Consequently, at this time we are following the old adage and "staying the course."

Tax Information for 2017

Despite the passage of a new tax law at the end of the year to take effect for 2018, the old rules still apply when filing your 2017 taxes. For taxable investment accounts, the 1099 forms from TD Ameritrade are now available. For most of you, that will be the only document necessary to complete your 2017 taxes from an investment standpoint. This form shows the realized gain or loss on investments for the year.

In years past, we have sent out a reconciliation form to our clients to show the cost basis for some transactions that were not contained on the 1099. However, the need to do this has gradually changed. As of 2011, TD Ameritrade and all custodians were required to keep cost basis information on all account holdings. Southern Capital has the cost basis for holdings that have been in accounts since before 2011, so any account opened after 2011 does not need the Southern Capital reconciliation.

For those accounts opened before 2011, there are not many holdings remaining from before that year. In fact, we ran a report on all taxable accounts opened before 2011 and our reconciliation form was necessary on only five client accounts for tax year 2017; those have already been sent out. In other words, *if you have not received a reconciliation report from us, the 1099 from TD Ameritrade will have all you need for your 2017 taxes.* At some point in the future, the 1099 will cover everyone every year, but until then, we will send out reconciliations as necessary.



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New “Trusted Contact” Information

There is a new feature for client accounts: the ability to add a trusted contact. A trusted contact is someone other than the account owner or Investment Advisor who can verify certain information on the account. A trusted contact is NOT a beneficiary, does not receive statements, nor does a trusted contact give that individual a power of attorney over the account. Listing a trusted contact is optional and here are some reasons you might want to consider adding one to your accounts:

- ❖ To have someone to contact if TD Ameritrade as custodian or Southern Capital has questions about your whereabouts or health status.
- ❖ If TDA or SCS suspects that you may be a victim of fraud or financial exploitation.
- ❖ If TDA or SCS suspects that you may no longer be able to handle your financial affairs.
- ❖ For TDA or SCS to be able to confirm the identity of a legal guardian, executor, trustee, authorized trader, or holder of a power of attorney.
- ❖ IF TDA or SCS has any other concerns or is unable to contact you about your account.

Again, the trusted contact has no power to act on behalf of the account owner. Rather, this individual is another point of contact to facilitate communication and smooth management of the account.

Adding such an individual is now a part of the standard TD Ameritrade application. If you would like to add a trusted contact to your existing account, please contact us.