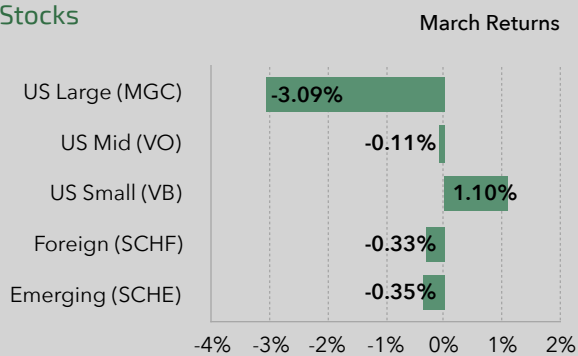


March 2018

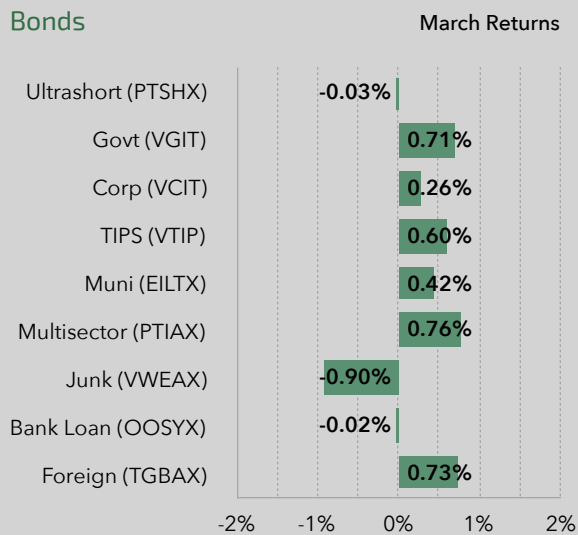
Economic Data

- Only 103,000 jobs were added in March – well below expectations – but y/y wage growth edged up to 2.7%
- Inflation (CPI) climbed 0.2% in February and the year-over-year rate edged up one-tenth to 2.2% while the core held at 1.8%
- Existing home sales rebounded 3.0% in February and the median price rose 0.4% to \$241,000
- Retail sales continued their slide, down a further 0.1% in February

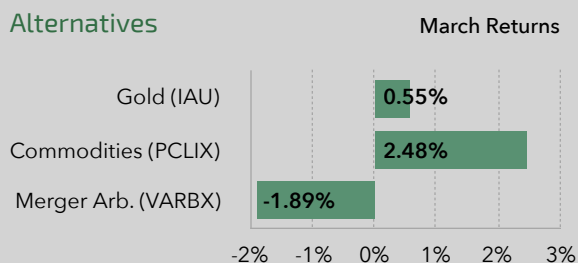
Stocks



Bonds



Alternatives



Performance data provided by Morningstar.

The brain uses two systems to process information. The first type is intuitive but lazy, rapidly forming judgements with no conscious input. The second system is slow, reflective, and is not guided by emotions. It is that second system – type 2 – that we want in control of our investment portfolios.

Geographic Arbitrage and Your Next Vacation

I just returned from an amazing 12-day trip to Nepal, the highlight of which was a four-day trek through the rhododendron forests of the Annapurna foothills during the spring bloom. Shortly after returning from any trip, I take a look at the posted transactions on my credit card and survey the damage. As you might hope from someone in my profession, I try to keep a close eye on my finances. Invariably, I find a few charges I forgot about – perhaps a late-night bar tab in Thamel, or that half-day spa treatment in Pokhara. Throw in three restaurant meals per day, and the costs can quickly pile up beyond what you anticipated.

This time was different, though. My total out-of-pocket expense for the entire trip to Nepal came to... only \$551.13?! That even includes the 1,300 rupees (OK, that's only \$13) I didn't spend and illegally smuggled outside of the country. Granted, I paid for my flight with points (thank you, Chase Sapphire Reserve), but the Etihad flight was really cheap and those points only had a cash value of \$465.60. So all told the trip only cost me about \$1,000. I've easily spent more on countless weekend trips here in the States.

How is this possible? Geographic arbitrage.

The basic idea of geographic arbitrage is you take the US Dollars you make at home and go spend them in a country where they go a lot further. While it typically costs maybe 30 of those dollars for a decent meal at a restaurant at home, only five dollars was required for a similar experience in Nepal. The cost of our accommodations ranged from \$5 per night on the low end for a room at a tea house on our trek, and only got as high as \$45 per night for a 3-star hotel in Kathmandu. In fact, according to data on Numbeo, the cost of living in Nepal is only about 30% of what a similar standard would cost in Chicago.

Thinking of a trip to the Europe? Avoid expensive Griswold locations like London, Paris, and Rome. Instead, take a trip to a lower-cost eastern European destination like Prague, Budapest, or Dubrovnik, the setting for *King's Landing* in *Game of Thrones*.

Jealous of your friend's ski trip to Vail, or Golden Tate's good times in Whistler? Me too! But I think a summer ski trip to Cerro Catedral in Bariloche, Argentina, where lift tickets – and just about everything else – cost less than half as much, would be even more impressive. Just be wary of any Germans over the age of 92.

San Francisco's hotel rates are the most expensive in the country, but fly to Cape Town, South Africa and you'll enjoy similar weather, beautiful hiking, fine dining, and splendid wine country for a fraction of the price. Better hurry, though, because also like California they are suffering from drought and Cape Town is running out of water.

Looking for something closer? There are dozens of great colonial cities, beach towns, and archaeological wonders to discover in old Mexico, only a short flight away. Just avoid the five Mexican states flagged by the State Department as Level 4 ("Do not travel") zones due to escalated drug cartel violence. That still leaves 26 relatively safe and inexpensive Mexican states to choose from, and that ain't bad.

Sometimes the higher cost of flights for more far-flung destinations can derail the geographic arbitrage vacation strategy, but as my crazy-cheap flight to Kathmandu shows, there are deals to be had if you keep an eye out for them.

Portfolio Positioning

No tactical changes were made to portfolios over the past month. The underweight to equities was a benefit in March, as most stocks were down. Large cap stocks were hit particularly hard amid threats of a trade war. Our cut to credit exposure in bond portfolios continues to pay off as safer government securities outperform riskier junk bonds. Finally, a breakout in oil prices to the upside helped make PCLIX – a broad-based commodity fund just added to our models a few months ago – the best performing asset in portfolios in March.

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Tactical Asset Allocation					
Asset Class	Heavy Under-weight	Under-weight	Neutral	Over-weight	Heavy Over-weight
Cash Equivalents					●
Fixed Income		●			
US Govt.		●			
TIPS				●	
Multisector		●			
Bank Loans		●			
Foreign Bonds			●		
Equities		●			
Large Cap		●			
Mid Cap		●			
Small Cap	●				
Developed Intl.		●			
Emerging			●		
Alternatives					●
Commodities					●
Hedging					●

Binge Box

Community (Hulu)

If you are a *Rick and Morty* fan – a show I recommended a few months back – you’ve probably seen all three seasons by now, and probably more than a couple times each. With Season 4 still not confirmed, we have like a really long time to wait before we see any new content. To fill that void, I recommend watching another successful creation of Dan Harmon’s, *Community*. The alcoholic show-runner was fired after the first three seasons, but brought back for the fifth and sixth. Like Rick in *Rick and Morty*, the lead character in *Community*, Jeff Winger – played by Joel McHale – has elements of Dan Harmon’s own ego and self-loathing. It’s a sometimes bizarre metasitcom that follows seven unrelated outsiders who form a bond while attending community college together. I’m not sure why it took me so long to give this show a shot, but I’m glad I finally did.

About EmeraldSpark

EmeraldSpark Investments, LLC is a Registered Investment Adviser based in Chicago, IL. We were founded by Ryan P. Layton, CFA in 2015 to provide personalized financial planning and fiduciary investment management services to select individuals. Our investment process blends the foundations of Modern Portfolio Theory with the latest research in the field of behavioral finance. We specialize in asset allocation and investment due diligence to help provide our clients with investment strategies personalized to match their specific goals and risk comfort zone.

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