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Happy Days are Here Again!

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I remember writing during the 2008 financial crisis that there was nowhere to hide. Last year in 2017 there was nowhere to go wrong. Stocks were up across the board by double digits. Big stocks, small stocks, foreign stocks, value stocks, growth stocks, emerging market stocks, they all went up. Real Estate was up, rents were up; you name it even low risk bonds were up. We are in a “Goldilocks” economy with record low unemployment, record high corporate profits, low inflation and U.S. GDP expanding nicely. Add to this the recently passed tax cuts along with an infrastructure bill in the works and we could see the economy overheating in the U.S. World-wide the economy is doing well with all 45 OECD countries GDP expanding. How long will it last? No one knows, but something is bound to go wrong eventually. And let’s not forget Bitcoin was up over 1,000% along with many other cryptocurrencies.

There are now over 1,400 cryptocurrencies. Why?

Speculation pure and simple! Want to get rich quick; buy Bitcoin. One of my favorite and most successful investors is Charlie Munger, co-chairman with Warren Buffet of Berkshire Hathaway. Munger said of investing, “It’s not supposed to be easy. Anyone who finds it easy is stupid.” So what is Bitcoin anyway? It is the first implementation of block chain technology that is truly revolutionary and can be used in many ways; mostly to record transactions. The main attraction of Bitcoin is that there can never be more than 21 million ever created. It is too complicated to explain in this newsletter but what happens when all 21 million Bitcoins are mined? Who will keep track of the transactions and how will they be paid? Let’s not forget that the electricity currently used to confirm transactions already exceeds the usage of all of Ireland. So, unlike government currencies, where there is no limit on the amount that can be issued, Bitcoin has a limit and is therefore supposed to be a better store of value, like

gold, that has a limited supply. As with gold, it is mostly anonymous until you want to convert it to a government currency at which point you have to identify yourself and the bank account you want it deposited to. There have been hundreds of millions of dollars (at today’s current price) that have been stolen, lost or hacked from Bitcoin accounts. It doesn’t sound safe to me. The real attraction of Bitcoin is FOMO (Fear Of Missing Out). If it went up over 1,000% in 2017 then I can get rich quick if it continues. So you can say what you want about the government’s ability to print dollars but if I have enough of them I can buy the Empire State Building. Try doing that with Bitcoin or for that matter even buying a hamburger.

All this isn’t to say that the block chain technology isn’t valuable; it is, but it is open source so it is free to anyone. So, don’t get caught up in this mania: it is FOMO.

Your Friend, Bob

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