

---

## Special Quarterly Edition: Coping with Volatility



Weekly Update – July 1, 2013

---

Despite a spike in volatility, markets were still able to eke out gains last week. Friday also marked the end of the month and the end of the second quarter; though June ended in the red, equities closed out the second quarter in the black. This marks the third positive quarter in the last four. So far this year, the Dow has surged more than 13%, while the S&P 500 and Nasdaq have increased nearly 13% each. For the quarter, the Dow gained 2.27%, the S&P 500 climbed 2.35%, and the Nasdaq rose 4.15%.<sup>1</sup>

Although the quarter was a positive one in terms of economic data, markets were spooked by the news that the Fed will soon begin to cut back on their easy money policies. Despite the volatility surrounding Fed policy (which isn't going away any time soon), the underlying economic fundamentals remain positive, and we believe that stocks are still attractive as part of a balanced portfolio.

For several weeks, investors have focused intently on every shred of news about potential changes in Federal Reserve monetary policy. Since the news that the Fed will begin to taper its stimulus programs (probably by the end of this year), market volatility has soared and investor sentiment has plummeted due to uncertainty about the effect a change in Fed policy may have on economic growth and equity markets. For years, monetary policy has softened as the Fed has pumped money into the monetary system in an effort to lower interest rates and encourage economic activity. Now that the Fed believes that the economy is improving, investors are unnerved by the idea that the Fed will begin reining in the easy money. In our opinion, the economy can withstand a gradual and well-publicized reduction in bond purchases and we strongly believe that the Fed will carefully monitor economic trends before making a move.

Overall, economic trends point to a healthy economic recovery. Consumer sentiment rose last week to the highest level in more than five years.<sup>2</sup> The housing market continues to improve, with increases in both housing prices and sales.<sup>3</sup> Modest growth in the job market, combined with increased property values and high stock prices, are making Americans more confident about the economy and many analysts expect consumer spending (a significant contributor to economic growth) to increase next quarter. While the economy still has a way to go before it's considered fully recovered, we believe that there's reason to be optimistic about future growth.

So, what does all of this mean for investors? Firstly, it's important to be aware that markets are likely to remain volatile in the coming months as investors adjust to new Fed policies and higher levels of uncertainty. However, the ingredients for growth in equities remain intact: stocks are reasonably priced, interest rates are still near historic lows, inflation is not a threat, and corporate balance sheets are healthy. While we cannot predict the direction of market movements, all of these factors point to higher

overall stock prices over the medium term. When markets run contrary to long-term economic trends, investors can be presented with the opportunity to build equity positions at attractive prices. That said, not all sectors or individual stocks will move in unison, and it's important to make all investment decisions in light of your personal circumstances and financial goals.

When markets are roiled by volatility and investor fears, it can be tempting to throw in the towel or sit on the sidelines; however, it's important to look behind the headlines to determine what course of action best suits your long term financial goals. If you have any concerns about your portfolio or any questions about how these issues may affect your investments, please reach out to us. We are honored by your trust and are happy to be a source of information to you and your family.

**ECONOMIC CALENDAR:**

**Monday:** PMI Manufacturing Index, ISM Mfg. Index, Construction Spending

**Tuesday:** Motor Vehicle Sales, Factory Orders

**Wednesday:** ADP Employment Report, International Trade, ISM Non-Mfg. Index, EIA Petroleum Status Report

**Thursday:** U.S. Markets Closed for Independence Day Holiday

**Friday:** Employment Situation, Jobless Claims

Data as of 6/28/2013	1-Week	Since 1/1/2013	1-Year	5-Year	10-Year
Standard & Poor's 500	0.87%	12.63%	20.86%	5.13%	6.45%
DOW	0.74%	13.78%	18.31%	6.28%	6.59%
NASDAQ	1.37%	12.71%	19.43%	9.39%	10.94%
International	0.81%	2.18%	15.14%	-3.59%	4.80%
Data as of 6/28/2013	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.02%	0.10%	0.15%	1.41%	2.52%

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance and Treasury.gov. International performance is represented by the MSCI EAFE Index. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

**HEADLINES:**

**Home prices still rising.** The S&P Case-Shiller Index showed a 12% gain in prices between April 2012 and April 2013, the largest gain since early 2006. This gain is averaged across 20 cities, but individual markets showed higher increases over the same period, such as San Francisco, in which housing prices gained 23.9%.<sup>4</sup>

**New home sales increase.** A new Commerce Department report stated that new home sales increased 2.1% to a seasonally-adjusted rate of 476,000, the highest level since July 2008 and the third straight month of gains.<sup>5</sup>

**Durable goods orders jump.** New orders for long-lasting goods ranging from aircraft to toasters increased 3.6% in May after rising the same amount in April. Excluding aircraft orders, which are considered highly volatile, the so-called core measure increased 1.1% in a sign that businesses are confident about the economy recovery and are spending moderately.<sup>6</sup>

**U.S. AAA credit rating upheld.** Ratings agency Fitch Ratings affirmed the U.S.'s top-level credit rating, reflecting the country's strong economic and credit fundamentals. However, the agency expressed concern about the country's debt, stating that high levels of debt leave the country vulnerable to economic shocks.<sup>7</sup>



*"Dream big and dare to fail." - Norman Vaughan*



## Blueberry Tart



*Here's a fruity treat your family & friends will love. Recipe from RealSimple.com.*

**Ingredients:**

flour for the work surface  
1 8-ounce sheet frozen puff pastry, thawed  
1 large egg, beaten  
1 tablespoon granulated sugar  
4 ounces cream cheese, softened  
1/4 cup heavy cream  
1/2 teaspoon grated lemon zest  
3 tablespoons confectioners' sugar  
2 cups blueberries

**Directions:**

1. Heat oven to 375° F. On a lightly floured surface, unfold the sheet of pastry and roll it into a 10-by-12-inch rectangle. Transfer to a parchment-lined baking sheet.
2. Using the tip of a knife, score a 1-inch border around the pastry without cutting all the way through. Brush the border with the egg and sprinkle with the granulated sugar.
3. Bake until golden and puffed, 18 to 22 minutes.
4. Using the tip of a knife, rescore the border of the cooked pastry without cutting all the way through. Gently press down on the center of the pastry sheet to flatten it. Let cool to room temperature, 15 to 20 minutes.
5. Meanwhile, with an electric mixer, beat the cream cheese until smooth. Add the cream, lemon zest, and 2 tablespoons of the confectioners' sugar and beat until smooth. Spread the cream cheese mixture evenly within the borders of the pastry.
6. Arrange the blueberries in a single layer over the filling and sprinkle with the remaining tablespoon of confectioners' sugar.

**Lower Taxes Through Education**

The American Opportunity Credit and the Lifetime Learning Credit may help you pay for the costs of higher education. If you pay tuition and fees for yourself, your spouse, or your dependent, you may qualify for these credits. The AOC is worth up to \$2,500 per eligible student, and the LLC is worth up to \$2,000 per tax return per year. Find out more at IRS Publication 970, "Tax Benefits for Education."



### **Don't Chop Wood, Drive The Spike**

If you put a log on the ground and asked someone to take out a chunk of wood from the log, they would most likely swing an axe into the log at an angle and slice out a section from the log. This action is done with an abrupt angle of attack into the wood log with the blade of the axe. However, if you asked that same person to drive a spike into the end of the log with a sledge hammer, they would use a more level approach and hit the head of the spike straight on (with a sideways strike) versus an angular descending strike as with the axe. This is the action you want to achieve with your golf swing: less chopping and more driving. Source: PGA Golf Tip of the Day



### **Make Homemade Soda**

If you enjoy soda but want to cut down on the plastic bottles or aluminum cans your family throws away, consider purchasing a home seltzer maker and making your own soda at home. Doing so can both limit your family's carbon footprint while giving you control over the ingredients in your soda.



### **Lose the Sugar, Lose the Wrinkles**

Collagen and elastin make up the supportive structure beneath your skin. As you get older this structure starts to break down naturally, causing wrinkles. Sugar in your bloodstream can worsen the effect of wrinkles by blocking your cells from repairing damage to these tissues. Cut out sugary breakfasts by starting your day with low glycemic index foods like oatmeal that will reduce the sugar in your system and help stave off the formation of wrinkles.

## ***Share the Wealth of Knowledge!***

*Please share this market update with family, friends, or colleagues. If you would like us to add them to our list, simply click on the "Forward email" link below. We love being introduced!*

If you would like to opt-out of future emails, please reply to this email with UNSUBSCRIBE in the subject line.

Securities, advisory services, and insurance products are offered through Investment Centers of America, Inc.® (ICA), member FINRA, SIPC, a Registered Investment Advisor, and affiliated insurance agencies. ICA and iWealth are separate companies.

Investing involves risk including the potential loss of principal. No investment strategy can guarantee a profit or protect against loss in periods of declining values.

Diversification does not guarantee profit nor is it guaranteed to protect assets

The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general.

The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ. The DJIA was invented by Charles Dow back in 1896.

The Nasdaq Composite is an index of the common stocks and similar securities listed on the NASDAQ stock market and is considered a broad indicator of the performance of stocks of technology companies and growth companies.

The MSCI EAFE Index was created by Morgan Stanley Capital International (MSCI) that serves as a benchmark of the performance in major international equity markets as represented by 21 major MSCI indexes from Europe, Australia and Southeast Asia.

The S&P/Case-Shiller Home Price Indices are the leading measures of U.S. residential real estate prices, tracking changes in the value of residential real estate. The index is made up of measures of real estate prices in 20 cities and weighted to produce the index.

The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.

Google Finance is the source for any reference to the performance of an index between two specific periods.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

Fixed income investments are subject to various risks including changes in interest rates, credit quality, inflation risk, market valuations, prepayments, corporate events, tax ramifications and other factors.

These are the views of Platinum Advisor Marketing Strategies, LLC, and not necessarily those of the named representative, Broker dealer or Investment Advisor, and should not be construed as investment advice. Neither the named representative nor the named Broker dealer or Investment Advisor gives tax or legal advice. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. Please consult your financial advisor for further information.

By clicking on these links, you will leave our server, as they are located on another server. We have not independently verified the information available through this link. The link is provided to you as a matter of interest. Please click on the links below to leave and proceed to the selected site.

---

<sup>1</sup> Google Finance

<sup>2</sup> <http://www.bloomberg.com/news/2013-06-25/consumer-confidence-in-u-s-increased-more-than-forecast-in-june.html>

<sup>3</sup> <http://www.bloomberg.com/news/2013-06-25/consumer-confidence-in-u-s-increased-more-than-forecast-in-june.html>

<sup>4</sup> [http://www.nytimes.com/2013/06/26/business/economy/home-sales-are-rising-and-so-are-prices.html?\\_r=0](http://www.nytimes.com/2013/06/26/business/economy/home-sales-are-rising-and-so-are-prices.html?_r=0)

<sup>5</sup> <http://www.reuters.com/article/2013/06/25/us-usa-economy-idUSBRE95O0S520130625>

<sup>6</sup> <http://www.reuters.com/article/2013/06/25/us-usa-economy-idUSBRE95O0S520130625>

<sup>7</sup> <http://www.reuters.com/article/2013/06/28/us-usa-fitch-affirmed-idUSBRE95R13F20130628>