

Markets closed out another positive week, driven upward by a better-than-expected GDP report and a reminder that the Fed won't be pulling the plug on bond purchases this month. Nervousness ahead of a Fed policy meeting and the monthly jobs report contributed to volatility, but the rally pushed the S&P 500 to a new historic high.¹

The big economic news last week was the July jobs report and a first look at second quarter GDP. The initial GDP report shows that the economy grew 1.7% in Q2, handily beating economists' estimates of 1-1.1% growth. A buildup of business inventories was enough to offset the effects of sequestration, thus accounting for the surprising jump. On the whole, we view the report as a positive, showing that the economic recovery is gaining momentum. Although it's too soon to make any accurate predictions about future growth, some economists expect expansion to accelerate to 2.3% in Q3 and 2.6% in Q4, for a strong finish to the year.²

The jobs report was a mixed bag; hiring slowed in July, with the addition of only 162,000 new jobs, the smallest gain in four months. However, July employment numbers are notoriously unreliable, due to seasonal factors like factory closings. All things considered, it is worth noting that the month's job gains were enough to drive the headline unemployment rate down to 7.4%. These mixed signals could make the Fed cautious about tapering bond purchases too soon, and some analysts now believe it could be October or December before we see tapering begin.³

The Federal Reserve FOMC met last week but announced no policy changes, meaning that current quantitative easing programs will continue for the near future. The meeting announcement (which provides a brief summary of the meeting) offered little additional guidance about future Fed moves.⁴ In a separate interview, a top Fed official stated that the recent drop in the unemployment rate took the country one step closer to the 7% unemployment threshold set by Fed chairman Ben Bernanke as the point around which the central bank would likely end its QE bond purchases.⁵

With earnings season wrapping up, a light calendar of economic data, and a few solid weeks of growth behind us, it's possible that we may see a short-term decline as traders take profits and wait for news from the Fed. In any case, we hope you enjoy your week, and that you don't spend too much time focusing on every Fed announcement and piece of economic news. In the words of Edmund Burke, "If we command our wealth, we shall be rich and free; if our wealth commands us, we are poor indeed."

ECONOMIC CALENDAR:

Monday: ISM Non-Mfg. Index

Tuesday: International Trade

Wednesday: EIA Petroleum Status Report

Thursday: Jobless Claims

Data as of 8/2/2013	1-Week	Since 1/1/2013	1-Year	5-Year	10-Year
Standard & Poor's 500	1.07%	19.88%	25.25%	7.13%	7.44%
DOW	0.64%	19.49%	21.58%	7.65%	7.11%
NASDAQ	2.12%	22.19%	26.80%	11.93%	11.51%
International	1.41%	9.93%	24.40%	-1.19%	5.38%
Data as of 8/2/2013	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.02%	0.07%	0.11%	1.36%	2.63%

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:

Chinese service sector improves. Despite a slowing manufacturing sector, state-sponsored small business measures are helping the Chinese services industry. A government index shows that the non-manufacturing sector, responsible for 46% of Chinese GDP, is growing.⁶

U.S. factory orders increase in June. Boosted by a surge in transportation orders, new orders for U.S. factory goods increased in June for the third straight month. Analysts believe that the recent manufacturing sector slowdown may have run its course.⁷

Consumer spending jumps in June. Consumer spending increased by 0.5% in June, fueled by automobile purchases and higher gasoline prices. Since consumer spending accounts 70% of GDP, the fact that consumers feel optimistic enough to spend money on big-ticket items like automobiles is good news for future growth.⁸

69% of new jobs may be low wage. According to one analysis, a significant percentage of the new jobs created in Q2 were in low wage categories such as fast food. This may help explain why retail sales and consumer spending remain relatively low despite job growth and why many Americans believe the economy is still in recession.⁹

QUOTE OF THE WEEK



"It is always wise to look ahead, but difficult to look further than you can see."

- Winston Churchill

RECIPE OF THE WEEK



Spaghetti with Zucchini, Raisins, and Walnuts



Raisins and walnuts add an unexpected twist to a delicious pasta dish. Recipe from RealSimple.com.

Ingredients:

- 12 ounces spaghetti (3/4 standard box)
- 3 tablespoons olive oil
- 1/2 cup walnut halves, roughly chopped
- 4 cloves garlic, thinly sliced
- 1 1/2 pounds small zucchini (4 to 5), cut into thin half-moons
- 3/4 cup raisins
- kosher salt and black pepper
- 1/4 cup grated Parmesan (1 ounce)

Directions:

1. Cook the pasta according to the package directions. Drain and return it to the pot.
2. Meanwhile, heat the oil in a skillet over medium-high heat. Add the walnuts and cook, stirring frequently, until beginning to brown, 3 to 4 minutes.
3. Add the garlic and cook, stirring frequently, until beginning to brown, about 1 minute.
4. Add the zucchini and raisins and season with $\frac{1}{2}$ teaspoon salt and $\frac{1}{4}$ teaspoon pepper.
5. Cook, tossing occasionally, until the zucchini is just tender, 4 to 5 minutes.
6. Add the zucchini mixture to the pasta and toss to combine. Sprinkle with the Parmesan.

**Commonly Overlooked Tax Deductions**

Don't miss out on potential deductions at tax time. Here are a few that are commonly overlooked:

- Transportation expenses for trips to medical facilities or doctors' offices
- Nursing home medical expenses
- Crutches, orthopedic shoes, etc.
- Hearing aids, eyeglasses, contact lenses
- Equipment for disabled individuals
- Nurses' fees

**So, Your Golf Ball Rolled Behind a Tree...**

It may not be very common for a golf ball to roll to a stop right behind a tree; however, it can happen. Solution? Practice your curve balls so that you'll be able to get your ball out without going backwards.



The Importance of Vitamin D

Humans need vitamin D to help absorb calcium and phosphorus for strong, healthy bones. Some great natural sources of vitamin D are:

- Eggs
- Sunflower seeds
- Sunflower sprouts
- Salmon and tuna
- Button mushrooms
- Sunlight (try to avoid overexposure)

Share the Wealth of Knowledge!

Please share this market update with family, friends, or colleagues.

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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.

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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.

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¹ <http://briefing.com/investor/markets/weekly-wrap/weekly-wrap-for-july-29-2013.htm>

² <http://www.businessweek.com/articles/2013-07-31/gdp-growth-beats-expectations-remains-soft>

³ <http://www.reuters.com/article/2013/08/02/us-usa-economy-idUSBRE96A0G320130802>

⁴ <http://www.businessinsider.com/july-30-31-fomc-meeting-statement-2013-7>

⁵ <http://www.reuters.com/article/2013/08/02/us-usa-fed-bullard-unemployment-idUSBRE97112A20130802>

⁶ <http://www.cnbc.com/id/100936733>

⁷ <http://www.reuters.com/article/2013/08/02/us-factory-orders-idUSBRE97100J20130802>

⁸ <http://www.cnbc.com/id/100934908>

⁹ <http://finance.yahoo.com/blogs/daily-ticker/become-nation-hamburger-flippers-dan-alpert-breaks-down-145831220.html>