

Markets ended a fairly bullish week mixed, gaining in some sectors, while others fell to earnings jitters. The S&P 500 notched a new high, while the Dow finally reached a record close.<sup>1</sup> For the week, the S&P 500 gained 0.11%, the Dow gained 0.29%, and the Nasdaq lost 0.54%.<sup>2</sup>

Earnings season hit the halfway point and some analysts are giving the performance a barely passing grade. While corporate profits are healthy, they are being achieved through cost cutting and accounting acrobatics rather than revenue growth. Barely half of S&P 500 companies that have reported in have beaten estimates, highlighting the fact that U.S. firms are still struggling with weak demand and slow economic growth.

Of course, there are some bright spots such as in the tech sector, where third-quarter earnings growth is expected to hit 5.81%, as compared to estimates of 2.6% at the beginning of the season. Consumer discretionary are another strong point, led by double-digit growth from retailers.<sup>3</sup>

The Federal Reserve held a scheduled FOMC meeting last week, but decided to delay any taper of its bond-buying program for another day. This was not unexpected since the government shutdown caused the delay of critical economic reports and data collection, leaving Fed economists without a clear picture of the current state of the economy. While the Fed has one more meeting left in 2013, it's looking increasingly unlikely that they'll initiate tapering while the country is still recovering from Washington's actions.

We expect that the earnings season will occupy investors' attention this week as they look for confirmation of the market rally. We'll also get a look at the October jobs report and an advance third-quarter GDP estimate. It's hard to know how investors will view these reports since the effects of the government shutdown will have skewed results. Although we don't yet have any complete information about the costs of the shutdown, one report suggests that it took a \$24 billion chunk out of the economy.<sup>4</sup> This may mean that fourth quarter growth may slow down and that people who lost wages may not be spending as much on holiday shopping.

### **ECONOMIC CALENDAR:**

**Monday:** Factory Orders

**Tuesday:** ISM Non-Mfg. Index

**Wednesday:** EIA Petroleum Status Report

**Thursday:** GDP, Jobless Claims

**Friday:** Employment Situation, Personal Income and Outlays, Consumer Sentiment,

**Ben Bernanke Speaks** 3:30 PM ET

Data as of 11/01/2013	1-Week	Since 1/1/13	1-Year	5-Year	10-Year
Standard & Poor's 500	0.11%	23.52%	23.40%	16.37%	6.77%
Dow	0.29%	19.17%	18.01%	13.49%	5.93%
NASDAQ	-0.54%	29.89%	29.87%	25.58%	10.30%
U.S. Corporate Bond Index	-0.52%	-4.55%	-5.25%	6.78%	0.69%
International	-1.35%	15.30%	22.27%	13.72%	9.90%
Data as of 11/01/2013	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.03%	0.08%	0.10%	1.37%	2.65%

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. Corporate bond performance is represented by the DJCBP. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

## HEADLINES:

**U.S. factory growth fastest in 2 ½ years.** The manufacturing sector expanded at its fastest pace since April 2011 in October. The growth was unexpected and could signal a strong start to the fourth quarter.<sup>5</sup>

**Eurozone inflation slumps to near four-year low.** Inflation in Europe fell to 0.7% in October, shocking economists and increasing pressure on the ECB to ease policy to combat high unemployment.<sup>6</sup>

**Economists slash U.S. growth estimates.** Economists cite the effects of the drawn-out government shutdown on economic activity and have cut their estimates of U.S. GDP growth in the 3<sup>rd</sup> and 4<sup>th</sup> quarter to 2.3% and 3.0% annualized growth, respectively.<sup>7</sup>

**Gasoline price volatility spikes.** Local gasoline prices are swinging drastically due to fuel distribution problems. Refiners keep stocks of gasoline low to save money, increasing the system's vulnerability to temporary shocks that can affect prices.<sup>8</sup>



*“Lots of people want to ride with you in the limo, but what you want is someone who will take the bus with you when the limo breaks down.” - Oprah Winfrey*

## Cinnamon Sugar Doughnuts



*These delicious doughnuts are made easy with refrigerated biscuit dough. Recipe from [RealSimple.com](http://RealSimple.com).*

### Ingredients:

- ¾ cup vegetable oil
- 1 8-count package large refrigerated biscuits (such as Pillsbury Grands)
- ½ cup sugar
- ¼ teaspoon ground cinnamon

### Directions:

1. Heat ½ cup of the oil in a medium skillet over medium-low heat.
2. Place the biscuits on a cutting board. Using a 1-inch round cookie cutter or shot glass, cut a hole in the center of each biscuit, reserving the extra dough for "holes".
3. Test the heat of the oil by dipping the edge of a doughnut in the pan. When the oil is hot enough, the edge will bubble. Place 4 of the doughnuts and holes in the skillet and cook until golden brown, 1 to 1½ minutes per side. Transfer to a wire rack or paper towel-lined plate to drain. Add the remaining oil to the skillet, reheat, and cook the remaining doughnuts and holes.
4. In a large bowl, combine the sugar and cinnamon. Gently toss the warm doughnuts in the mixture a few at a time. Serve warm or at room temperature.



### IRS Updates 2014 Tax Benefits for Inflation

The IRS recently released its annual inflation adjustments for 2014. Here are a couple of important excerpts:

- The top marginal tax rate of 39.6 percent will be applied to single filers whose income exceeds \$406,750 (\$457,600 for married taxpayers filing a joint return.)
- The Alternative Minimum Tax exemption amount for 2014 is \$52,800 (\$82,100, for married couples filing jointly).
- Estates of decedents who die during 2014 will have an estate tax exclusion amount of \$5,340,000, up from \$5,250,000 for 2013.

For more information about annual adjustments, ask your tax professional or download Revenue Procedure 2013-35.



### Chipping Consistently

Many golfers struggle to strike consistently when chipping. The key is to ensure the low point of your swing, where they club hits the ground, comes after you contact the ball. Try this:

- (1) Set more weight on your front foot, and have at least that much there at impact;
- (2) Turn your front shoulder open, or to the left, through the shot. Some golfers rock the shoulders like a seesaw. When the front shoulder rocks up on the downswing, the spine tips away from the target and the low point shifts back. So stay forward and turn that shoulder open. You'll be chipping better in no time. Tip from Golf Digest.



### **Use a Spare Glasses Case as an Organizer**

Have a plastic glasses case you aren't using? Don't throw it away; use it for storing makeup, pens, medicines, and other small items for when you're on the go. These cases are durable and make great travel kits.



### **Farmers' Market Tip**

Buying fresh produce at the local farmers' market is a great way to improve your diet by eating what's in season. To get the best produce (and best deals), wait until the item is in full season and multiple farms are offering it. This ensures that you're not buying unripe produce that may be lower in vitamins and minerals.

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

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

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 Dow Jones Corporate Bond Index is a 96-bond index designed to represent the market performance, on a total-return basis, of investment-grade bonds issued by leading U.S. companies. Bonds are equally weighted by maturity cell, industry sector, and the overall index.

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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<sup>1</sup> <http://money.cnn.com/2013/10/29/investing/stocks-markets/>

<sup>2</sup> <http://briefing.com/investor/markets/weekly-wrap/weekly-wrap-for-october-28-2013.htm>

<sup>3</sup> <http://www.foxbusiness.com/investing/2013/10/28/first-half-earnings-season-leaves-investors-craving-more/>

<sup>4</sup> <http://money.cnn.com/2013/10/16/news/economy/shutdown-economic-impact/>

<sup>5</sup> <http://www.reuters.com/article/2013/11/01/us-usa-economy-idUSBRE99L04G20131101>

<sup>6</sup> <http://blogs.reuters.com/macroscope/2013/10/31/shock-low-euro-zone-inflation-what-the-economists-say/>

<sup>7</sup> <http://www.businessinsider.com/societe-generale-slashes-us-gdp-forecast-2013-10>

<sup>8</sup> <http://www.usatoday.com/story/money/business/2013/11/02/volatile-prices-at-gas-pumps-give-drivers-whiplash/3380325/>