

Caution was the name of the game last week as equities tumbled, marking the worst weekly loss for the S&P 500 in two years. Though the week was packed with market moving events, most of the week's losses can be attributed to worries that the Federal Reserve may raise interest rates sooner than expected. For the week, the S&P 500 lost 2.69%, the Dow fell 2.75%, and the Nasdaq slid 2.18%.¹

Friday's July jobs report showed 209,000 new jobs created during the month, well under the hoped-for 233,000 jobs. The headline unemployment rate also ticked upward to 6.2% from 6.1% in June.² On the other hand, the low numbers came with some good news: Most of the new jobs were full-time, which is great news for workers trapped in low-paying or part-time jobs. It's also potentially good news for future consumer spending.³

Investors also got their first look at second quarter Gross Domestic Product, which clocked in at a blistering 4.0% annualized growth, completely shattering even the most optimistic estimates.⁴ Let's keep in mind that economic growth estimates are frequently updated as fresh data comes in, and we are likely to see that number change in future updates. Underpinning the surge in economic activity is a significant increase in consumer spending in Q2, which accounts for approximately 70% of economic activity in the U.S. With the labor market on the move, we can hope for greater consumer spending in the third and fourth quarters.⁵

The Federal Reserve's Open Market Committee voted to continue tapering quantitative easing, noting that the economy is on a much firmer footing. Markets reacted negatively to the news, fearing an end to easy money. If you recall, investors were also spooked last year at the prospect of an end to the Fed's lavish quantitative easing policies. Now that the end is nigh, markets are grappling with the reality that the Fed's low rates are moving into the rearview mirror. Many analysts are calling it another case of "good news is getting to be bad news," rather than signs of impending doom.⁶

Looking ahead, we can expect more volatility as earnings season continues and investors digest piles of economic data. It's very possible that stocks will rebound from last week's loss as investors "buy the dip," but markets could also experience further losses. Let's keep in mind that there are very few negative fundamentals underpinning last week's decline: The economy is doing very well, the labor market is making great strides, and corporate earnings are up. Psychologically, market expectations have been pushed so high for so long that a pullback is natural. While we can't predict market movements, we think that there is still plenty of possible upside this year.

If you have any questions about how recent events may be affecting your investments, please give us a call.

ECONOMIC CALENDAR:

Tuesday: Factory Orders, ISM Non-Mfg. Index

Wednesday: International Trade, EIA Petroleum Status Report

Thursday: Jobless Claims

Friday: Productivity and Costs

Data as of 8/1/2014	1-Week	Since 1/1/14	1-Year	5-Year	10-Year
Standard & Poor's 500	-2.69%	4.15%	12.79%	18.99%	7.47%
DOW	-2.75%	-0.50%	5.54%	15.97%	6.27%
NASDAQ	-2.18%	4.22%	18.42%	24.00%	13.06%
U.S. Corporate Bond Index	-0.50%	3.13%	3.59%	2.44%	1.19%
International	-2.14%	0.13%	10.12%	6.12%	4.10%
Data as 8/1/2014	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.01%	0.05%	0.13%	1.67%	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. 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., EU back more sanctions against Russia. In a bid to halt Russia's arming of Ukrainian separatists (and in response to the downing of flight MH17), western nations unveiled a third round of more severe sanctions targeting Russian finance, weapons, and energy industries.⁷

Argentina defaults on bond payments. Credit rating agency Standard & Poor's declared Argentina in default after the government missed a \$539 million payment to bondholders. Though long-term consequences of the default are unknown, they will likely result in higher interest rates on Argentinean debt and reduced access to international credit markets.⁸

Islamic State seizes fifth Iraqi oil field. Insurgents continued their offensive, seizing another oil field and Iraq's largest dam. The Sunni militant group represents a serious threat to Iraq's stability; however, since Iraq's oilfields are concentrated far from the fighting, crude oil production remains largely unaffected.^{9,10}

Consumer spending dips in July. Consumers felt less optimistic about jobs and income growth, pushing a measure of consumer expectations down for the third straight month. Despite recent improvements in the labor market, consumers are still concerned about their economic prospects.¹¹

QUOTE OF THE WEEK



"The mind is everything. What you think, you become."

-Buddha

RECIPE OF THE WEEK



Green Beans with Bacon Dressing



Dress up garden-fresh green beans with smoky bacon.

Ingredients:

Serves 8

Kosher salt and cracked black pepper
2 pounds green beans, washed and trimmed
6 slices thick-sliced bacon
2 shallots, sliced thinly
2 tablespoons cider vinegar
2 tablespoons whole-grain mustard
2 tablespoons olive oil or other light-tasting oil

Directions:

1. Boil trimmed green beans in lightly salted water for 4 to 5 minutes until just tender. Drain into a colander and rinse under cold water to stop the cooking process.

2. Cook bacon until crisp in a medium pan, reserving two tablespoons of drippings. Drain on paper towels until cool and break into bite-size pieces.
3. Return the pan to the heat with reserved bacon drippings. Add sliced shallots and sauté for about one minute, until slightly softened. Add the vinegar, mustard, olive oil, one pinch salt, one pinch pepper, and stir until thoroughly combined. Add the green beans and bacon, and toss. Taste for seasoning and add more salt as necessary.
4. Serve warm.

Recipe adapted from Kate Merker and Sara Quessenberry | RealSimple.com¹²



Prevent Tax-Time Surprises With a Summer Adjustment

When filing their taxes, many taxpayers are surprised by unexpectedly large tax bills or refunds. Take the time this summer to adjust your withholdings to bring your estimated taxes in line with what you actually owe.

- If you are still working, speak to your tax advisor or use the IRS Withholding Calculator to confirm that your employer is withholding the correct amount from each paycheck. New jobs or important life events like marriage or the birth of a child can trigger changes to your withholding.
- If you receive significant income that's not subject to withholding (such as investment or rental income), work with a tax advisor to determine whether you need to make quarterly estimated tax payments.

For more information about adjusting withholdings or other tax issues, consult a tax professional in your area or see IRS Publication 505, "Tax Withholding and Estimated Tax."

Tip courtesy of IRS.gov¹³



Don't Rely on Your Arms For Power

If your shots are falling short, you may be relying too much on your arms and hands to power the club. Practice using your body for power with this simple drill: Set up as usual and address the ball. Try and push the ball into the air without taking a backswing, focusing on driving the ball with your body instead of your arms. Practice until you can consistently get some air with the ball and then return to taking normal shots. You should notice an increase in power as you turn your body more fully through the shot.

Tip courtesy of Brady Riggs, PGA | Golf Tips Mag¹⁴



Tame Your Tummy With Ginger

Many of us suffer from motion sickness or the occasional bout of nausea. Instead of reaching for motion sickness medications, which can cause drowsiness, try ginger. One study found that people who ingested powdered ginger took twice as long to feel ill after being spun in a motorized chair as those who took anti-nausea drugs. When traveling, consider bringing along powdered ginger capsules or crystallized ginger treats. At home, try brewing yourself a cup of fresh ginger tea.

Tip courtesy of AARP¹⁵



Cut Heating and Cooling Costs

Keeping your house at a livable temperature doesn't have to cost a fortune. Reduce your energy bills and your carbon footprint with these tips:

- Reduce the amount of energy transfer between interior and exterior by closing your fireplace damper and sealing your ductwork.
- In the hot months, reduce the amount of baking you do and try and grill outside to avoid heating up your kitchen.
- Install efficient ceiling fans and open windows on cool nights to keep your house comfortable without turning on the AC.
- In the colder months, wear sweaters and slippers around the house to remain comfortable at a cooler indoor temperature.

Tip courtesy of RealSimple.com¹⁶

Share the Wealth of Knowledge!

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

We love being introduced!

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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 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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¹ <http://goo.gl/giUjBF>

² <http://www.bls.gov/news.release/empst.nr0.htm>

³ <http://www.cnbc.com/id/101886884>

⁴ <http://www.cnbc.com/id/101878728>

⁵ <http://www.cnbc.com/id/101878728>

⁶ <http://www.foxbusiness.com/markets/2014/07/31/world-stock-markets-drift-after-federal-reserve-delivers-no-surprises-with/>

⁷ <http://www.cnn.com/2014/07/29/politics/us-eu-russia-sanctions/>

⁸ <http://www.bloomberg.com/news/2014-07-30/argentina-defaults-according-to-s-p-as-debt-meetings-continue.html>

⁹ <http://www.reuters.com/article/2014/08/03/us-iraq-security-idUSKBN0G20FU20140803>

¹⁰ <http://www.usatoday.com/story/money/markets/2014/07/06/oil-iraq/12004745/>

¹¹ <http://www.reuters.com/article/2014/08/01/us-usa-economy-sentiment-idUSKBN0G14BM20140801>

¹² <http://www.realsimple.com/food-recipes/browse-all-recipes/green-beans-bacon-vinaigrette-0000000044569/>

¹³ <http://www.irs.gov/uac/Newsroom/A-Summer-Adjustment-Can-Prevent-a-Tax-Time-Surprise>

¹⁴ <http://www.golftipsmag.com/instruction/full-swing/quick-tips/10-best-swing-tips-ever.html#.U95a3oBdVsl>

¹⁵ <http://www.aarp.org/health/healthy-living/info-2014/travel-tips.html>

¹⁶ <http://www.realsimple.com/work-life/money/saving/cut-energy-costs-1000001206325/index.html>