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## Markets Fall on Ukraine Fears, Still End Positive

Weekly Update – August 18, 2014

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Despite a late-week selloff due to renewed concerns about the situation in Ukraine, the major indices ended the week on a positive note. For the week, the S&P 500 gained 1.22%, the Dow grew 0.66%, and the Nasdaq added 2.15%.<sup>1</sup>

Geopolitical tensions in Europe ratcheted up when Ukrainian forces engaged an armored Russian column that crossed the border. Russia denies that any military vehicles entered Ukraine and that the mission was humanitarian. Although the full picture has yet to emerge, investors are worried that the engagement may cause further escalation of tensions.<sup>2</sup>

Retail sales slumped in July as consumers took a break from buying automobiles. However, with employment growth on a steady upward trend, economists think that sales will likely rebound later in the quarter.<sup>3</sup> The weak retail data begs the question: How are U.S. retailers doing? Not so well, it turns out. Overall, many retailers are suffering from low consumer demand and low margins in an intensely competitive promotional environment. Online retailers like Amazon have forced competitors to lower prices and offer special discounts, eroding margins and hurting earnings.<sup>4</sup>

Low-cost retailers like Wal-Mart (WMT) and Family Dollar are also struggling, mirroring the economic struggles of their largely working-class customers. Many low-income consumers have yet to fully recover from the financial crisis and stagnant wage growth is limiting their buying power. Though its overall Q2 earnings were respectable, Wal-Mart slashed its forward guidance, indicating that the giant is mired in a nationwide slowdown.<sup>5</sup>

This week, investors will be focusing on the release of the Federal Reserve Open Market Committee meeting minutes on Wednesday, as well as a major gathering of central bank leaders in Jackson Hole, Wyoming. Fed chair Janet Yellen and embattled European Central Bank President Mario Draghi will both speak at the meeting.<sup>6</sup> Given Europe's weak Q2 economic results, investors will be waiting to see whether Draghi has the stomach to step in with stronger quantitative easing strategies.

### **ECONOMIC CALENDAR:**

**Monday:** Housing Market Index

**Tuesday:** Consumer Price Index, Housing Starts

**Wednesday:** EIA Petroleum Status Report, FOMC Minutes

**Thursday:** Jobless Claims, PMI Manufacturing Index Flash, Philadelphia Fed Survey, Existing Home Sales

Data as of 8/15/2014	1-Week	Since 1/1/14	1-Year	5-Year	10-Year
Standard & Poor's 500	1.22%	5.77%	17.68%	18.94%	8.36%
DOW	0.66%	0.52%	10.26%	15.75%	6.96%
NASDAQ	2.15%	6.90%	23.82%	24.97%	15.41%
U.S. Corporate Bond Index	0.49%	4.04%	5.10%	2.58%	1.12%
International	1.30%	-0.79	8.19%	5.44%	4.20%
Data as 8/15/2014	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.03%	0.05%	0.09%	1.55%	2.34%

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance and [Treasury.gov](http://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:**

**Jobless claims tick upward to six-week high.** Applications for unemployment benefits climbed slightly last week, interrupting the positive trend we've seen the last few weeks, though most economists still think employment trends are moving in the right direction. Weekly data is often noisy, and economists prefer to look at longer-term trends.<sup>7</sup>

**EU economic growth fades.** Economic activity in the Eurozone slowed in the second quarter as Germany's economy slid into reverse and France stagnated. Economists' worry that sanctions against Russia will damage the fragile EU recovery, putting more pressure on Europe's economic recovery.<sup>8</sup>

**Low doc loans return.** So-called "stated income" mortgages are returning as lenders chase applications that they can no longer afford to ignore. These mortgages, which allow applicants to show bank statements instead of pay stubs or tax returns may help expand the pool of mortgage applicants as lending volume falls.<sup>9</sup>

**Consumer sentiment falls, but the news isn't all bad.** Sentiment among U.S. consumers fell to its lowest level since last November, but a gauge of current economic conditions remains positive. While lowered sentiment could threaten demand, economists believe consumer spending could still grow this year.<sup>10</sup>

## QUOTE OF THE WEEK



*“Hold yourself responsible for a higher standard than anybody else expects of you, never excuse yourself.” - Henry Ward Beecher*

## RECIPE OF THE WEEK



### **Creamy Parmesan Baked Mashed Potatoes**



*Serve these luxurious potatoes with a pot roast or pork chops.*

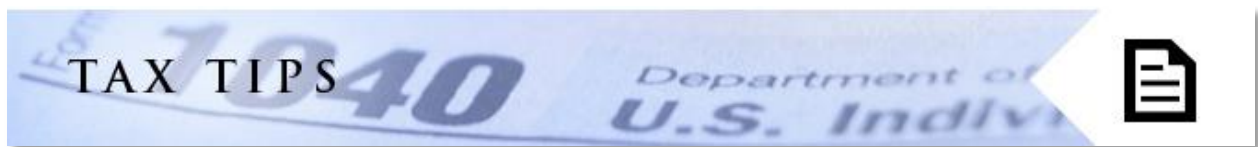
#### **Ingredients:**

5 medium Yukon Gold potatoes (or other good mashing potato), peeled and cut into 1 1/2-inch chunks  
1 cup whole milk, at room temperature  
4 ounces cream cheese, at room temperature  
8 tablespoons (1 stick) unsalted butter, at room temperature, cut into pieces, plus more for the baking dish  
kosher salt and black pepper  
3 large eggs, lightly beaten  
1/2 cup shredded Parmesan cheese

## Directions:

1. Preheat your oven to 400° F and fill a large pot with one inch of water. Once the water is boiling, add your potatoes and cover. Butter an 8x8 inch-baking dish.
2. Steam the potatoes for about 20 minutes until they are tender and can be pierced easily with a knife. Drain the potatoes and return them to the pot.
3. Add milk, cream cheese, butter, and salt & pepper to taste. Mash them with an immersion blender or potato masher until smooth and creamy.
4. Fold in the eggs with a spatula and pour into the buttered baking dish. Add the Parmesan cheese on top.
5. Bake at 400° F for about 30 minutes until golden. If the Parmesan starts to brown too quickly, cover the dish with aluminum foil and continue baking.

Recipe adapted from Dawn Perry | RealSimple.com<sup>11</sup>



### Job Hunting Tax Benefits

Are you or someone you know job-hunting? If you're looking for a job in the same line of work (e.g. not switching careers), you may be able to deduct some of your expenses on your federal taxes. Here's what the IRS has to say:

- You'll usually deduct your expenses on Schedule A, Itemized Deductions, as a miscellaneous deduction. However, you can only deduct miscellaneous deductions that are more than two percent of your adjusted gross income.
- Costs that you can deduct include: résumé preparation and mailing costs, travel expenses related to your search, and placement agency fees.
- You may not be able to deduct job-hunting expenses if there has been a long gap between the end of your last job and the beginning of your hunt, or if you're looking for a job for the first time.
- Keep in mind that reimbursed costs are never deductible and you should always keep receipts and mileage logs in case of an IRS audit.

For more information about job-hunting tax concerns, consult a tax professional in your area or see Publication 529, Miscellaneous Deductions on IRS.gov.

Tip courtesy of IRS.gov<sup>12</sup>



### **Get Around Trees**

Don't let the trees get you down. If you find yourself behind a tree that's too high or too close for you to get over, you'll have to go under. Depending on how far you have to go and how low the tree is, consider a mid-iron, which will keep the ball low, but high enough to get out of the rough. Also think about how wide your swing needs to be to go the distance. Smaller swings generate less spin, which will help keep the ball under the trees.

Tip courtesy of Nick Kumpis, PGA | Golf Tips Mag<sup>13</sup>



### **Catch Skin Cancer Early**

The consequences of a lifetime spent outdoors, 3.5 million new cases of skin cancer are diagnosed each year in the U.S. Fortunately, advances in detection and treatment mean that most cases aren't fatal. However, preventing skin damage by regularly using sunscreen and catching the disease early are critical to avoiding serious consequences.

According to Nancy L. Snyderman, M.D., possible warning signs of skin cancer include:

- Moles that are asymmetrical moles or have irregular borders.
- Moles with a variety of colors.
- Moles that are large in diameter or are changing size, shape, and color.

Check your body regularly for unusual skin lesions and make an appointment with a dermatologist to check out any possible issues.

Tip courtesy of AARP<sup>14</sup>



### **Give Old Jeans New Life**

If you have an old, ratty pair of jeans that are too worn to be donated (or have sentimental value), don't throw them away! Instead, try some of these eco-friendly ways to repurpose and reuse them:

- Use them to pack glassware, ornaments, or other delicate items in boxes.
- Cut them up to use as patches for kids' clothes or gardening clothes you want to keep using.
- Cut off the jean legs, fill them with sand or polyester stuffing, and sew up each end to create draft stoppers.
- Make a garden caddy or gadget case.

Tip courtesy of Green Living Tips<sup>15</sup>

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

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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.

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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://goo.gl/joLJDT>

<sup>2</sup> <http://www.cnbc.com/id/101906428>

<sup>3</sup> <http://www.reuters.com/article/2014/08/13/us-economy-retail-idUSKBN0GD14320140813>

<sup>4</sup> <http://www.zacks.com/stock/news/144048/why-retail-sector-woes-continue>

<sup>5</sup> <http://www.corvuswire.com/us-news/walmart-announces-earnings-hugely-negative-forward-guidance/3490/>

<sup>6</sup> <http://www.cnbc.com/id/101922670>

<sup>7</sup> <http://www.bloomberg.com/news/2014-08-14/jobless-claims-in-u-s-rise-more-than-forecast-to-six-week-high.html>

<sup>8</sup> <http://www.reuters.com/article/2014/08/14/us-eurozone-economy-idUSKBN0GE0J220140814>

<sup>9</sup> <http://www.reuters.com/article/2014/08/14/us-usa-banks-loans-analysis-idUSKBN0GE09Z20140814>

<sup>10</sup> <http://www.cnbc.com/id/101922730>

<sup>11</sup> <http://www.realsimple.com/food-recipes/browse-all-recipes/fluffy-mashed-potatoes-00100000108111/index.html>

<sup>12</sup> <http://www.irs.gov/uac/Newsroom/Job-Hunting-Expenses>

<sup>13</sup> <http://www.golftipsmag.com/instruction/iron-play/quick-tips/from-150-yards-out.html?start=2#.U-1FG4BdVsl>

<sup>14</sup> <http://www.aarp.org/health/conditions-treatments/info-2014/skin-cancer-nancy-snyderman.html>

<sup>15</sup> <http://www.greenlivingtips.com/articles/repurposing-old-jeans.html>