

Despite lingering concerns about the Ukrainian crisis, markets picked up steam last week, giving the Dow and S&P 500 their best weekly performance since April. For the week, the S&P 500 grew 1.71%, the Dow gained 2.03%, and the Nasdaq rose 1.65%.¹

Last week, headlines were largely dominated by the annual economic symposium in Jackson Hole that plays host to some of the world’s most powerful financial players. Though the format of the event is casual, central bankers, academics, and economists use the meeting to discuss important economic issues from the day.² One key session from this year’s meeting centered on labor market dynamics.

Economic research suggests that the U.S. labor market is not as flexible as it once was and that the fluidity of workers between jobs is falling. According to results presented at Jackson Hole, factors like an aging workforce that is less likely to change jobs, higher training and regulatory requirements to take many positions, and dominant firms driving others out of business, are all contributing to the problem. Why does this fluidity matter?

Part of what makes a labor market strong is the ability for workers to transition between jobs and industries as needs and conditions change. Across industries, researchers found a decline of about 25% in the rate at which jobs were created and eliminated between 1990 and 2013. The implications of this decline could be particularly serious for the young or the less skilled, who may struggle to find jobs or progress in their careers.³

Federal Reserve Chair Janet Yellen seems to support this view, painting a picture of a still-fragile labor market that requires accommodative monetary policy in her speech Friday. In another big speech, European Central Bank President Mario Draghi stated that the ECB stands ready to provide further liquidity to boost the EU’s sluggish economy.⁴

Looking ahead, Russia and Ukraine will be in the spotlight as Russian President Vladimir Putin and Ukraine President Petro Poroshenko are scheduled to meet on Tuesday.⁵ The S&P 500 is also bumping up against 2,000 points, a key technical milestone. Though we don’t place a lot of faith in technical indicators, investor psychology may come into play, and markets may experience some volatility as investors consider whether further short-term upside is likely.⁶

ECONOMIC CALENDAR:

Monday: New Home Sales, Dallas Fed Mfg. Survey

Tuesday: Durable Goods Orders, S&P Case-Shiller HPI, Consumer Confidence

Wednesday: EIA Petroleum Status Report

Thursday: GDP, Jobless Claims, Corporate Profits, Pending Home Sales Index

Friday: Personal Income and Outlays, Chicago PMI, Consumer Sentiment

Data as of 8/22/2014	1-Week	Since 1/1/14	1-Year	5-Year	10-Year
Standard & Poor's 500	1.71%	7.58%	20.00%	18.76%	8.10%
DOW	2.03%	2.56%	13.62%	15.77%	6.82%
NASDAQ	1.65%	8.67%	24.73%	24.92%	14.69%
U.S. Corporate Bond Index	-0.21%	3.82%	5.91%	2.65%	1.11%
International	0.51%	-0.11%	10.27%	5.37%	4.13%
Data as 8/22/2014	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.04%	0.06%	0.10%	1.68%	2.40%

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:

Jobless claims fall. Weekly new unemployment claims fell more than expected, dropping below 300,000. While weekly data is volatile, there were no seasonal factors affecting the data, pointing to sustained improvement in the labor market.⁷

Housing starts heat up in July. A measure of homebuilding soared 15.7% last month, showing that builders may be feeling confident about their prospects in the coming months. While monthly starts are volatile, the increase could show that the housing market isn't down for the count yet.⁸

Existing home sales increase for fourth straight month. July sales of previously owned homes soared, hitting the highest pace of growth in 2014. Hopefully, increased inventory levels will stabilize prices and give homebuyers an opportunity to purchase.⁹

Chinese factory activity slumps. China's factory sector slumped to a three-month low, renewing concerns that the world's second largest economy might be slowing down. Economists hope that government measures to support growth will keep economic momentum up.¹⁰

QUOTE OF THE WEEK



"Life will always be to a large extent what we ourselves make it."

- Samuel Smiles

RECIPE OF THE WEEK



Ginger Pear Cheesecake



Ginger and pears pair perfectly in this lovely cheesecake.

Ingredients:

Serves 8 to 12

- 6 tablespoons unsalted butter, melted
- 1 ½ cups crushed gingersnaps (about 40 cookies)
- 2 small ripe pears (any kind), peeled, cored, and sliced 1/8 inch thick
- ¼ teaspoon ground ginger
- 16 ounces cream cheese, at room temperature
- 1 ¼ cups granulated sugar
- 2 large eggs, at room temperature
- 3 teaspoons vanilla extract
- 1 cup sour cream, at room temperature

Directions:

1. Preheat your oven to 350° F. Combine butter and crushed gingersnaps in a bowl, then press into a 9-inch springform pan. Make sure the crumb mixture covers the bottom and sides completely. Bake the crust for 20 minutes, then set aside to cool.
2. Toss the sliced pears and ground ginger in a bowl, then fill the cooled crust with the pears, laying them down and slightly overlapping each one.
3. Beat the cream cheese with an electric mixer until fluffy, for about two minutes. Add 1 cup of sugar and continue to beat for two minutes. Add eggs one at a time and incorporate into the mixture. Add two teaspoons vanilla last and beat to incorporate.
4. Pour the cream cheese mixture over the pear filling, smoothing with a spatula. Bake for about 50 minutes until the top is barely set and jiggles slightly. Set aside, but leave the oven on.
5. In another bowl, beat the sour cream with remaining ¼ cup sugar and 1 teaspoon vanilla extract. Pour the mixture over the cheesecake and bake for about 10 minutes. Cool on counter until the cheesecake reaches room temperature. Cover with plastic wrap and chill for at least four hours.

Recipe adapted from Sara Quessenberry and Rori Trovato | RealSimple.com¹¹



Make Money With Your Hobby

Most Americans have hobbies that they enjoy, but some use hobbies to make some side income. For example, selling on EBay, coin collecting, stamp collecting, antiquing, and many other pursuits can often bring in some extra cash. The IRS requires you to report all income on your taxes, but the rules on deductions and income depend on whether it's a hobby or a business. Here's what the IRS says:

- The easiest way to determine whether your hobby is a business or not, is to think about whether you treat it as a way to make a profit and whether you depend on the income. Consult a qualified tax professional if you have questions.
- You can generally deduct accepted expenses for your hobby, such as the cost of stamps or supplies. However, you can only deduct expenses up to the limit of the income earned by the hobby.

For information on how to itemize your hobby deductions, consult a tax expert or read Publication 535, Business Expenses on IRS.gov.

Tip courtesy of IRS.gov¹²



Assess Putts From Behind the Ball

When you're scoping out the lie for a putt, always do it from directly behind your ball. With your eyes, track along the entire route the ball will take to the hole, and make sure that you can see the entire break. If you have a breaking putt, also assess the break from behind the apex of the shot, where you can see the whole picture of the putt.

Tip courtesy of Glenn Deck, PGA | Golf Tips Mag¹³



Foods That Promote Brain Function

Research shows that what you eat can have a major effect on the healthy function of your brain as you get older. Here are several foods that can help boost brain function:

- Beans and green peas are full of B-complex vitamins that can help protect against shrinkage of brain matter.
- Citrus fruits have Vitamin C, which plays an important role in preventing the formation of dementia-related brain plaque.
- Almonds have Vitamin E, which support blood vessel function and may slow the development of Alzheimer's.

Tip courtesy of AARP¹⁴



Avoid Unnecessary Packaging

Your household produces a lot of waste in the form of plastic packaging, bottles, and refill containers on common household products. Reduce unnecessary waste with these easy tips:

- Buy refillable spray bottles that can be refilled from large-format jugs of product. You'll save money and reduce your trash.

- Choose concentrated versions of detergents and cleaners and water them down for use in another container.
- Don't use more detergent than needed when doing laundry or washing dishes. In many cases, you can use even less.

Tip courtesy of Good Housekeeping¹⁵

Share the Wealth of Knowledge!

Please share this market update with family, friends, or colleagues. We love being introduced!

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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.

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¹ <http://goo.gl/8DVnFZ>

² <http://www.economist.com/blogs/economist-explains/2014/08/economist-explains-12>

³ <http://www.reuters.com/article/2014/08/22/us-usa-fed-employment-idUSKBN0GM0WWM20140822>

⁴ <http://www.cnbc.com/id/101939954>

⁵ <http://www.cnbc.com/id/101941201>

⁶ <http://www.reuters.com/article/2014/08/23/us-usa-stocks-weekahead-idUSKBN0GM1Z220140823>

⁷ <http://www.cnbc.com/id/101936663>

⁸ <http://www.marketwatch.com/story/us-home-construction-heats-up-in-july-2014-08-19>

⁹ <http://www.forbes.com/sites/erincarlyle/2014/08/21/july-existing-home-sales-hit-highest-pace-of-2014/>

¹⁰ <http://www.reuters.com/article/2014/08/21/china-economy-flash-pmi-idUSL4N0QQ1S420140821>

¹¹ <http://www.realsimple.com/food-recipes/browse-all-recipes/gingersnap-pear-cheesecake-10000001548233/index.html>

¹² <http://www.irs.gov/uac/Newsroom/Five-Basic-Tax-Tips-about-Hobbies>

¹³ http://www.golftipsmag.com/instruction/putting/lessons/drop-strokes-from-the-green.html#.U_iq5I7DW6U

¹⁴ <http://www.aarp.org/health/healthy-living/info-03-2012/foods-may-lower-dementia-risk-slideshow.html#slide1>

¹⁵ <http://www.goodhousekeeping.com/home/green-living/go-green-tips#category1-1>