

Despite volatility around geopolitical concerns and sluggish growth in Europe, U.S. stocks had a phenomenal week, lifting the S&P 500 to a new record close, and giving the index its best August performance since 2000.¹ For the week, the S&P 500 picked up 0.75%, the Dow grew 0.57%, and the Nasdaq gained 0.92%.²

The Ukrainian crisis ratcheted up to a new level of tension as reports emerged that Russian forces have actively invaded eastern Ukraine and are engaging local forces. Although Russian and Ukrainian leaders met last week, the two sides appear more fiercely opposed than ever. It's hard to know how Russia's ambitions in the region will affect markets, but interruptions in gas supplies will not be good for Europe's economy.³

Investors got their second look at Q2 Gross Domestic Product (GDP) numbers and cheered at the news that the economy grew 4.2% (upgraded from 4.0% in the initial estimate). Even better, growth appears to be broad-based and spread among multiple sectors of the economy.⁴ This result indicates that the economic recovery is entering a sustainable cycle of growth, where improvement in one area of the economy feeds growth in another. Let's hope so.

Looking ahead, the first week of September is packed with important data. Friday's August jobs report is especially critical because it could shed some light on the timing of the Federal Reserve's interest rate hikes. Investors will also have their eyes glued to Thursday's European Central Bank meeting, seeking a response to the EU's stalled recovery and dwindling economic hopes.

Geopolitical concerns around Ukraine, Syria, and Iraq will also likely continue to dominate headlines, and volatility is to be expected. European leaders are considering a fresh round of sanctions against Russia, which may cause volatility as investors think about how sanctions may affect global growth.

All told, new record highs and low summer trading volume may transform into additional volatility and more activity in coming weeks. Depending on how these variables play out, a short-term pullback is also possible as investors take profits off the table. This is simply the nature of the investor sentiment pendulum that swings between optimism and pessimism, driving overall buying and selling activity. While we believe that additional upside may be possible this year, we caution our clients to expect periods of volatility as major events shift investor sentiment.

ECONOMIC CALENDAR:

Monday: U.S. Markets Closed for Labor Day Holiday

Tuesday: PMI Manufacturing Index, ISM Mfg. Index, Construction Spending

Wednesday: Motor Vehicle Sales, ADP Employment Report, Factory Orders, Beige Book

Thursday: International Trade, Jobless Claims, Productivity and Costs, ISM Non-Mfg. Index, EIA Petroleum Status Report

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

| Data as of 8/29/2014 | 1-Week | Since 1/1/14 | 1-Year | 5-Year | 10-Year |
|---------------------------|--------|--------------|--------|--------|---------|
| Standard & Poor's 500 | 0.75% | 8.39% | 22.29% | 18.94% | 8.08% |
| DOW | 0.57% | 3.15% | 15.21% | 15.83% | 6.77% |
| NASDAQ | 0.92% | 9.67% | 26.52% | 25.15% | 14.60% |
| U.S. Corporate Bond Index | 0.52% | 4.37% | 5.27% | 2.53% | 1.14% |
| International | 0.58% | 0.47% | 13.39% | 5.13% | 4.11% |
| Data as 8/29/2014 | 1 mo. | 6 mo. | 1 yr. | 5 yr. | 10 yr. |
| Treasury Yields (CMT) | 0.02% | 0.05% | 0.09% | 1.63% | 2.35% |

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:

Personal income rises, but household spending falls. Personal income – defined as income from wages, investments, and other taxable sources – grew in July, following an increase in June. Despite the increase, Americans pared back their spending, preferring to bank their extra cash rather than go shopping. This reluctance could indicate a lack of confidence in their prospects.⁵

Consumer sentiment ticks upward. An August survey of consumer sentiment grew on the back of increased optimism about jobs and increasing wealth. However, most of the positivity was in the upper income segments, indicating that lower-income Americans may still be struggling.⁶

New home sales drop, again. July sales of newly built homes dropped for the third month in a row. On the other hand, new home sales were 12.3% higher than in July of 2013, indicating that momentum is still up over last year, which means that a turnaround is still possible.⁷

Durable goods orders soar. Orders for long-lasting manufactured goods skyrocketed by 22.6% in July. Though this is good news for the manufacturing sector, the surge was largely driven by a spike in volatile aircraft orders, meaning the underlying trend may soften next month.⁸

QUOTE OF THE WEEK



“Every child is an artist. The problem is how to remain an artist once he grows up.”

–Pablo Picasso

RECIPE OF THE WEEK



Tangy Carrot & Apple Slaw



Bring this delicious slaw to your next barbecue!

Ingredients:

Serves 4

1/2 cup plain Greek yogurt or sour cream
2 tablespoons white wine vinegar
1 tablespoon stone ground mustard
1/2 teaspoon ground cumin
Kosher salt and black pepper
3/4 pound large carrots (2 to 3), peeled
2 Granny Smith apples, halved and cored
1/2 cup golden raisins
1/4 cup chopped cilantro
1/4 cup slivered almonds

Directions:

1. Mix together the yogurt, mustard, vinegar, cumin, a pinch of salt, and a pinch of black pepper to make a tangy dressing.

2. Using a box grater or the shredding disk of a food processor, shred the carrots and apples into a bowl. Add the raisins and chopped cilantro.
3. Pour the dressing over the shredded mixture and toss to combine. Scatter the almonds over the top and serve.

Recipe adapted from Kate Merker | RealSimple.com⁹



Back-to-College Tax Tips

If you, your spouse, or a dependent is heading off to college, there are some important tax-saving tips you should know about. Here's what the IRS says:

- The American Opportunity Tax Credit can save you up to \$2,500 annually, and applies for the first four years of higher education. 40% of the AOTC is refundable, which means you may be able to get up to \$1,000 of the credit as a refund, even if you don't owe any taxes.
- The Lifetime Learning Credit allows you to claim up to \$2,000 on your federal tax return for an eligible student. Unlike the AOTC, the LLC has no limit on the number of years you can claim the credit.
- Keep in mind that you can claim only one type of education credit per student on your federal tax return each year. So, if you have two students in your household, you can claim the AOTC for one, and claim the LLC for the other.
- Only qualified education expenses can be used to calculate credits, such as tuition, fees, and other related expenses. The student must also be attending an eligible institution, which is generally any degree-granting institution beyond high school. Consult a qualified tax expert to learn about the additional rules governing eligible fees and education credits.

For more information about education tax credits and other college-related tax issues, consult a qualified tax expert or check out Publication 970, Tax Benefits for Education on IRS.gov.

Tip courtesy of IRS.gov¹⁰



Keep Your Head Steady for Better Putting

According to Paige McKenzie, LPGA, averaging fewer than 30 putts per round puts you at the top of your short game. If you're having trouble getting there, you might be making the mistake of "steering" your putts with your eyes, instead of keeping your body square and your head still during the shot. Practice staying in posture instead of opening yourself up as in other shots.

Tip courtesy of Paige MacKenzie, LPGA | Golf Tips Mag¹¹



Take Control of Your Blood Pressure

Two recent studies have found that patients who were able to monitor their own blood pressure at home had better results after one year than those who only relied on doctor's visits. Under a doctor's guidance, consider the following home remedies to lower blood pressure:

- Drinking hibiscus tea has been found to lower blood pressure. A Tufts University research team discovered that participants who drank three cups of tea per day had significantly lower blood pressure than the control group.
- Check sodium levels when eating out. Restaurant meals can contain very high levels of sodium, so be sure to ask the kitchen for recommendations for a low-sodium diet.
- High-cocoa dark chocolate – specifically in the 50-70% cocoa range – can help lower blood pressure. Just a square a day was found by a Harvard Medical School study to particularly benefit patients with hypertension.

Tip courtesy of AARP¹²



Green Up Your BBQ

Backyard barbecues are a wonderful way to enjoy the weather and change up the dinner party scene. Here are a few ways to keep your next grill out green and waste-free:

- Use greener fuel options. Whenever possible, stick to propane or cleaner-burning natural lump charcoal. Briquettes are full of additives and petroleum products that come with a hefty carbon footprint.
- Use locally raised vegetables and meats. Consider heading to your local farmers market or locavore grocery to reduce the distance your food has to travel to your plate.
- Forget disposable dishes. While picnics and barbecues can seem like a great excuse to skip dish duty, disposables add a lot of waste to your local landfill. If you won't part from one-use dishware, consider using a brand made from recycled or low-impact materials.

Tip courtesy of The Nature Conservancy¹³

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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.

Consult your financial professional before making any investment decision.

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¹ <http://www.cnn.com/id/101957595>

² <http://goo.gl/JPLzcv>

³ <http://www.cnn.com/id/101957088>

⁴ <http://www.forbes.com/sites/samanthasharf/2014/08/28/u-s-gdp-grew-4-2-in-the-second-quarter-2013-up-from-first-estimate/>

⁵ <http://www.businessinsider.com/personal-income-and-outlays-august-29-2014-8>

⁶ <http://www.usnews.com/news/business/articles/2014/08/29/us-consumer-sentiment-improves-a-bit-in-august>

⁷ <http://www.forbes.com/sites/erincarlyle/2014/08/25/new-home-sales-drop-again-in-july/>

⁸ <http://www.reuters.com/article/2014/08/26/us-durable-goods-idUSKBN0GQ14720140826>

⁹ <http://www.realsimple.com/food-recipes/browse-all-recipes/carrot-apple-raisin-slaw-recipe-0000000031515/index.html>

¹⁰ <http://www.irs.gov/uac/Newsroom/Back-to-School-Tax-Credits>

¹¹ <http://www.golftipsmag.com/instruction/short-game/quick-tips/keep-a-steady-head-best-of-2014.html#.VAL-ELySxsl>

¹² <http://blog.aarp.org/2014/08/29/7-ways-to-lower-your-blood-pressure-naturally/>

¹³ <http://www.nature.org/greenliving/gogreen/everydayenvironmentalist/green-your-summer-bbq.xml>