
Why Another Uptick in Spite of Bad News?

Weekly Update – September 8, 2014

Markets chalked up another win last week, pushing the S&P 500 to another record close. After several days of cautious trading, Friday's August jobs report finally gave investors the push they needed to extend gains for a fifth week. For the week, the S&P 500 grew 0.22%, the Dow gained 0.23%, and the Nasdaq added 0.06%.¹

Investors reacted with surprising relief to a disappointing August employment report that showed jobs growth braked to an eight month low. The data shows that payrolls increased by just 142,000, after expanding by over 200,000 in July. Data from June and July was also revised downward, tempering optimism about the labor market recovery. However, even though growth slowed, underlying trends show that slack in the labor market is still slowly being taken up.² Another positive bit of news is that what jobs were created came from areas like business services, health care, and construction - areas where job seekers can potentially find high-paying, career-oriented jobs.³

Why the positive reaction to disappointing news? This is a case of bad news being treated like good news; investors have been chewing their nails in recent weeks over the possibility that the Federal Reserve could end quantitative easing and hike interest rates sooner than expected. A poor labor market showing takes away some of that risk, giving relieved investors some stimulus to rally.

In Europe, the European Central Bank (ECB) cut interest rates to the bone and announced a new plan to boost lending, neatly avoiding the discussion of whether to engage in a full-scale Fed-style quantitative easing program. If "QE-light" fails, the ECB may be forced to take on the debt of struggling states like Portugal and Spain to boost economic growth. Right now, the bank is counting on constituent governments to do their part by cutting taxes and engaging in economic reform.⁴ Will this be enough to boost Europe's stagnant economy in the face of waning demand and economic sanctions against Russia? We won't really know until next year.

The crisis in Ukraine continued last week, with Russians achieving control over the eastern half of the country, and Western leaders debating whether or not to take a more active military role in constraining Russian ambitions. While U.S. leaders are willing to show their displeasure through further sanctions, the European bloc, sensitive to their dependence on Russian energy, are more reluctant to act.⁵

The week ahead is slow on economic data until Friday, when analysts will get a look at retail sales, consumer sentiment, and business inventories, all important indicators of economic health. With investor sentiment so high, it's quite possible that a bump in the road may cause stocks to temporarily turn downward in coming weeks as investors hit pause and take stock of their surroundings.

ECONOMIC CALENDAR:

Tuesday: JOLTS

Wednesday: EIA Petroleum Status Report

Thursday: Jobless Claims, Treasury Budget

Friday: Retail Sales, Import and Export Prices, Consumer Sentiment, Business Inventories

Data as of 9/5/2014	1-Week	Since 1/1/14	1-Year	5-Year	10-Year
Standard & Poor's 500	0.22%	8.62%	21.31%	19.51%	8.03%
DOW	0.23%	3.38%	14.73%	16.30%	6.70%
NASDAQ	0.06%	9.73%	25.26%	25.40%	14.85%
U.S. Corporate Bond Index	-0.95%	3.37%	5.71%	2.34%	1.06%
International	0.05%	0.52%	11.11%	5.53%	4.08%
Data as 9/5/2014	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.02%	0.05%	0.10%	1.69%	2.46%

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:

Factory orders post record gains. Orders for goods from U.S. factories jumped 10.5% in July, driven by strong demand for aircraft and automobiles. Excluding the volatile transportation category, orders for manufactured goods are still on a modest upward trend.⁶

Fed Beige Book shows pickup in economic growth. The Federal Reserve's anecdotal snapshot showed that the U.S. economy expanded at a moderate pace over the last six weeks, though its tone was more tempered than other government reports. Overall, the Fed believes economic growth is expanding at a moderate pace.⁷

Motor vehicle sales grew 6% in August. A strong Labor Day showing helped sales of light vehicles to grow significantly year-over-year, indicating that American consumers are feeling confident enough about their prospects to make big-ticket purchases. Overall, sales are expected to increase in coming months due to pent-up demand and improving employment conditions.⁸

Chain stores reported solid August sales growth, indicating that the back-to-school shopping season was solid. Though chain stores make up only 10% of retail sales, they are an important indicator of overall consumer spending trends.⁹

QUOTE OF THE WEEK



"You can never cross the ocean until you have the courage to lose sight of the shore."

–Christopher Columbus

RECIPE OF THE WEEK



Mocha Nut Brownies



Impress coffee lovers with these made-from-scratch brownies.

Ingredients:

Makes 16 brownies

Butter wrapper or nonstick oil spray

Parchment paper

1/2 cup (1 stick) unsalted butter

4 ounces semisweet or bittersweet baking chocolate, coarsely chopped

1 tablespoon instant espresso or coffee powder

2 large eggs

1 cup white sugar

3/4 cup all-purpose flour

1/4 teaspoon kosher salt

1/2 cup chopped walnuts or pecans

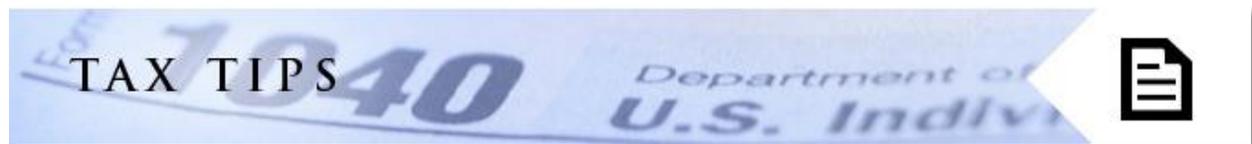
1/2 cup semisweet chocolate chips

Directions:

1. Preheat your oven to 350°F.

2. Grease the bottom and sides of an 8-inch baking pan with the leftover butter wrapper or nonstick vegetable spray, and line the pan with parchment paper. Grease the parchment paper with additional butter or vegetable oil spray.
3. Create a double boiler by filling a small saucepan with 1-2 inches of water and placing a metal bowl inside the pot, ensuring the bottom of the bowl doesn't touch the water. Bring the water to a boil and use the bowl to melt the chopped chocolate with the butter and coffee powder, stirring to incorporate. Once the mixture is fully melted, remove from heat and set aside.
4. Beat together the sugar and eggs using a whisk or handheld mixer. When the mixture is fluffy and light-colored, reduce the mixer's speed and carefully mix in the melted chocolate, flour, and salt. Fold in the chopped nuts and chocolate chips and gently mix until everything is incorporated.
5. Pour the batter into the greased pan and spread with a spatula until even and smooth. Bake at 350°F for about 30 minutes until the center is set and a toothpick comes out clean. If you like your brownies to have a fudge-like texture, take them out a couple of minutes sooner.
6. Once the brownies are cool, run a knife around the edges of the pan, flip them out, and cut into squares. Serve warm with whipped cream or coffee ice cream. Store in a tightly sealed box for up to four days.

Recipe adapted from Susan Sugarman | RealSimple.com¹⁰



Make a Tax Goof? Tips for Amending Your Return

It's very common to make a mistake when filling out tax forms. Fortunately, the IRS makes it easy to file an amended tax return. Here's what you need to know:

- The IRS says that you should amend your federal tax return if you need to correct your filing status, the number of dependents you claimed, or your total income. Deciding to claim additional deductions or tax credits that you left off of your original return also calls for an amendment.
- In some cases, you may not need to file an amended return. The IRS usually catches and corrects math mistakes when processing your return, so realizing you made a simple arithmetic error shouldn't be a cause for worry. The IRS will also mail a request for any missing information they may need to process your original return.
- If you need to file an amendment, you'll need to use Form 1040X and indicate which year's return you're amending. Unfortunately, there's no way to complete this form online, so you'll have to fill it out in paper form. If you need to amend multiple returns, you need to fill out multiple 1040X forms. If you have any

questions or concerns about filing an amendment, it may be a good idea to consult a qualified tax professional.

- If you end up owing more in taxes, be sure to file and pay as soon as possible to limit the interest and penalties you owe.

For more information about amending returns, contact a local tax professional or find form 1040X on IRS.gov.

Tip courtesy of IRS.gov¹¹



Conquer the Uphill Lie

Uphill shots can be tough because they demand extra control and balance of the clubface as you fight gravity. Playing uphill increases the “effective loft” of the club, giving the ball a steeper, shorter flight; consider choosing one club more than you normally would. Set up to the ball by keeping your shoulders square and parallel and putting more weight on your back foot. To encourage the efficient transfer of weight through the shot, shift your front foot outward slightly. Take several practice swings, playing the ball as you normally would in your stance, making small adjustments in your foot placement and movement until you’re ready.

Tip courtesy of Lana Ortega, PGA | Golf Tips Mag¹²



Eat These Foods to Beat Wrinkles

Wrinkles naturally form as the skin loses elasticity or gets damaged by the sun. Adding these foods to your diet can help ward off wrinkles and protect against skin damage.

- Sweet potatoes are loaded with beta-carotene, Vitamin A, copper, and Vitamin C, shown to protect the skin and boost collagen production.
- Flaxseeds contain important Omega-3 fatty acids that help fill out your skin by attracting water molecules.
- Pomegranates contain several anti-oxidants that can help protect the skin and potentially reduce the risk of skin cancer.

Tip courtesy of AARP¹³



Calculate Your Carbon Footprint

There are many ways to reduce your household's impact on the world, but it's also important to understand just how much your lifestyle is affecting our climate. The Nature Conservancy offers a free online carbon footprint calculator to help you estimate the impact of your diet, travel, home, and recycling on the environment.

You can find the tool at: <http://www.nature.org/greenliving/carboncalculator/>

Tip courtesy of The Nature Conservancy¹⁴

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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/2h4rPE>

² <http://www.reuters.com/article/2014/09/05/us-usa-economy-idUSKBN0H008E20140905>

³ <http://www.cnbc.com/id/101975098>

⁴ <http://www.reuters.com/article/2014/09/05/us-ecb-qe-idUSKBN0H01C920140905>

⁵ <http://www.cnbc.com/id/101977417>

⁶ <http://www.reuters.com/article/2014/09/03/us-usa-economy-idUSKBN0GY1Y820140903>

⁷ <http://www.usatoday.com/story/money/business/2014/09/03/fed-beige-book-august/15016553/>

⁸ <http://www.zacks.com/stock/news/146196/us-auto-sales-up-6-y-y-in-august-general-motors-leads>

⁹ <http://wsj-us.econoday.com/byshoweventfull.asp?fid=460532&cust=wsj-us&year=2014&lid=0&prev=/byweek.asp#top>

¹⁰ <http://www.realsimple.com/food-recipes/browse-all-recipes/mocha-walnut-brownies-0000000025802/index.html>

¹¹ <http://www.irs.gov/uac/Newsroom/Make-a-Mistake-Amend-Your-Tax-Return>

¹² <http://www.golftipsmag.com/component/zine/article/48-hill-rides.html#.VAwVIWSSxsl>

¹³ <http://www.aarp.org/health/healthy-living/info-05-2013/foods-to-protect-summer-skin-photos.html?intcmp=AE-HEA-RELBOX#slide6>

¹⁴ <http://www.nature.org/greenliving/carboncalculator/>