

After some market stumbles in recent weeks that erased earlier gains, stocks ended about where they started at the beginning of the quarter. However, broad economic gains means that solid fundamentals could contribute to market upside later this year. For the quarter, the S&P 500 gained 0.62%, the Dow grew 1.29%, and the Nasdaq added 1.93%.<sup>1</sup>

### **What are some of the factors that contributed to strong market performance in Q3?**

After a very slow start to the year, economic growth rebounded in the second quarter, giving investors confidence that the economic recovery was still healthy. The latest estimate of Q2 gross domestic product (GDP) growth showed that the economy grew 4.6%;<sup>2</sup> while official Q3 numbers aren't out yet, some estimates indicate that the economy may have slowed slightly in the past three months, but could still clock in a healthy 3.0% gain.<sup>3</sup>

The labor market made great strides last quarter, adding 671,000 new jobs in the past three months. In September, hiring accelerated and the jobless rate reached a six-year low of 5.9%.<sup>4</sup> To compare: In September of 2013, the unemployment rate stood at 7.2%, and the labor market added just 430,000 jobs.<sup>5</sup> On the other hand, wage growth seems to be frozen, indicating that many Americans are failing to see income gains that could lead to greater consumer spending.<sup>6</sup>

Strong corporate profits coming off of the second quarter helped boost markets by showing that demand is improving across many sectors. Even better, Q3 guidance was modestly higher, indicating that corporate leaders felt more positive about their chances going into the second half of the year.<sup>7</sup> We'll know whether their optimism was merited once Q3 earnings reports are released.

### **What could act as headwinds in the weeks and months to come?**

Geopolitical issues continue to drag on market performance as the situation in Ukraine continues to simmer and parts of the Middle East roil with violence. Since these areas play key roles in global petroleum and natural gas production, supply disruptions could have a serious impact on fuel prices.

Europe and Japan continue to struggle with stubbornly weak economic growth and low inflation, prompting calls for additional central bank activity. If these major U.S. trading partners continue to experience trouble, it could weaken market outlooks this year.

The Federal Reserve was a big player last quarter, and its monetary policy decisions will likely impact market activities in the coming weeks and months. The current round of bond purchases are scheduled to end in October, bringing the Fed's quantitative easing programs to a halt.<sup>8</sup> Investors are now turning their attention to the question of when the Fed will begin raising interest rates, and speculations will likely lead to further market volatility.

Markets have been running high, with multiple indexes reaching new records in the third quarter, which can sometimes presage a pullback as investors pause to take stock of the market environment. Is a pullback certain? Definitely not. Bottom line: Domestic economic fundamentals are strong going into the final three months of the year. As earnings start trickling in, solid performances could translate into further market upside. As always, we recommend staying focused on long-term goals instead of short-term volatility and market performance.

## ECONOMIC CALENDAR:

**Tuesday:** JOLTS

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

**Thursday:** Jobless Claims

**Friday:** Import and Export Prices, Treasury Budget

Data as of 10/3/2014	1-Week	Since 1/1/14	1-Year	5-Year	10-Year
<b>Standard &amp; Poor's 500</b>	-0.75%	6.47%	17.23%	18.39%	7.39%
<b>DOW</b>	-0.60%	2.61%	13.42%	15.86%	6.69%
<b>NASDAQ</b>	-0.81%	7.16%	18.58%	23.70%	13.04%
<b>U.S. Corporate Bond Index</b>	0.61%	3.21%	3.45%	1.96%	1.01%
<b>International</b>	-3.43%	-6.43%	-1.55%	3.67%	2.99%
Data as 10/3/2014	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
<b>Treasury Yields (CMT)</b>	0.01%	0.03%	0.11%	1.73%	2.45%

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:

**U.S. auto sales rise.** After a sharp increase in August, sales of cars and light trucks rose on big Labor Day discounts in September. While the higher trend is good news for the industry, price cuts and incentives will chip away at company profits.<sup>9</sup>

**Trade gap shrinks on low oil prices.** The gap between imports and exports dropped in August as lower oil prices caused the overall cost of imports to fall. This is good news for consumer spending as lower import costs puts dollars in consumers' wallets.<sup>10</sup>

**Factory orders drop in August.** As expected, orders for manufactured goods plummeted 10% in August, erasing July gains. The July jump was driven by a one-off surge in aircrafts; stripping out the volatile transportation category, core orders were down slightly by 0.1%.<sup>11</sup>

**Consumer confidence drops sharply in September.** After hitting a seven-year high in August, confidence among American consumers hit a speed bump as they worried about jobs and income growth. However, consumers were still upbeat about the future, hopefully indicating that consumer spending won't take a hit in the months to come.<sup>12</sup>



*"Either you run the day, or the day runs you." –Jim Rohn*



### **Fruit and Nut Dessert Focaccia**



*Store-bought pizza dough makes this delicious dessert easy to make.*

## Ingredients:

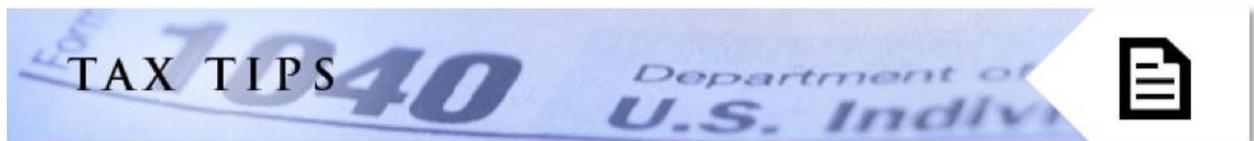
Serves 4

1 refrigerated white or whole wheat pizza dough  
2 cups seedless grapes, blueberries, or other fresh berry  
½ cup pine nuts, walnuts, or almonds, chopped  
4 tablespoons honey  
8 oz package of cream cheese  
½ teaspoon vanilla  
Oil or spray for the pan

## Directions:

1. Preheat oven to 425° F.
2. Roll the pizza dough into two rounds and place each on a greased baking sheet.
3. Beat together the honey, cream cheese, and vanilla until thoroughly combined.
4. Using a spatula, spread the mixture across each round of dough.
5. Top each focaccia with half of the fruit and nuts.
6. Bake 20 to 25 minutes, rotating pans halfway through, until the focaccia is golden brown.
7. Serve warm.

Recipe adapted from Kate Merker and Sara Quessenberry | RealSimple.com<sup>13</sup>



## Get Helpful IRS Tips on Social Media

Social media isn't just for connecting with family, friends, and your favorite financial professional. The IRS also uses social media to distribute important tax information and help you stay on top of your taxes.

- The IRS uses **Twitter** to tweet tax-related tips, news, and more. Follow them at @IRSnews and @IRSenEspañol. The Taxpayer Advocate Service tweets from @YourVoiceAtIRS.
- **IRS2Go** is a free app where you can check your refund status, get tax updates, or follow the IRS on Twitter. You can download it free from the iTunes app store or the Google Play Store.
- The IRS **YouTube** Channels offer short videos on many tax topics. Videos are available in English, Spanish, and ASL.

Tip courtesy of IRS.gov<sup>14</sup>



## Judge Distances Correctly

If you don't know how to judge distances well, your short game will suffer. Here's a great drill for improving your depth perception. Tee up a ball a moderate distance away from the hole. Evaluate the shot and set up as you normally would. Then, close your eyes and walk toward the hole with your putter in your hand. Stop and point at where you think the hole is. Did you get it right? If not, repeat the drill until you can accurately judge the distance.

Tip courtesy of Dan Martin, PGA | Golf Tips Mag<sup>15</sup>

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

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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.

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2 <http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>

3 <http://www.cnbc.com/id/102037335>

4 <http://www.bls.gov/news.release/empisit.nr0.htm>

5 [http://www.bls.gov/news.release/archives/empisit\\_10222013.pdf](http://www.bls.gov/news.release/archives/empisit_10222013.pdf)

6 <http://www.reuters.com/finance/economy>

7 <http://www.zacks.com/commentary/33730/bulk-of-q2-earnings-now-behind-us>

8 <http://www.cnbc.com/id/102009066>

9 <http://www.cnbc.com/id/102049247>

10 <http://wsj-us.econoday.com/byshoweventfull.asp?fid=461195&cust=wsj-us&year=2014&lid=0&prev=/byweek.asp#top>

11 <http://www.cnbc.com/id/102053585>

12 <http://www.usatoday.com/story/money/business/2014/09/30/consumer-confidence-september/16453621/>

13 <http://www.realsimple.com/food-recipes/browse-all-recipes/grapepine-nut-dessert-focaccia-recipe>

14 <http://www.irs.gov/uac/Newsroom/Use-IRS-Social-Media-Tools>

15 <http://www.golftipsmag.com/instruction/putting/lessons/use-your-senses.html#.VDEfuCmSxt8>