



S&P 500 Gain: Biggest In Nearly 2 Years. Erases December Losses.

Weekly Update – December 22, 2014

Markets ended a rollercoaster week on an upbeat note, giving the S&P 500 its biggest weekly gain in nearly two years and erasing December losses.¹ Markets were pulled in different directions by several factors, including central bank actions, a deep slide in the Russian ruble, and further gyrations in oil markets. For the week, the S&P 500 gained 3.41%, the Dow grew 3.03%, and the Nasdaq added 2.40%.²

Falling oil prices stoked additional volatility last week as investors grappled with the potential effects of cheap oil. Oil fell for the fourth straight week, ending with U.S. benchmark WTI at under \$60/barrel.³ Gasoline prices followed the decline, putting the national average at \$2.409 on Sunday.⁴ Domestically, low gas prices are a net win for U.S. consumers who suddenly have more discretionary income to spend.

However, Russia, one of the world's major oil producers, felt the sting of falling oil prices. The Russian economy, which has been battered by economic sanctions over Ukraine, is in real trouble. Nervous currency traders caused a run on the Russian ruble, which fell an alarming 19% within one 24-hour period last week.⁵ Russia's sinking economy is potentially a threat to its major trading partners, who depend on Russian demand for their goods. One report indicates that one in eight German companies are considering a withdrawal from Russia because of the risk represented by its unstable economy.⁶ A deteriorating economic situation could also escalate geopolitical tensions over the Ukraine.

Investors cheered at the news that the Federal Reserve is likely to hold interest rates low for at least the first few months of 2015.⁷ Though the Fed feels confident enough about economic growth to raise rates next year, policymakers intend to remain "patient" by taking a slow approach to rate hikes.⁸ To translate: The Fed thinks that the economy is on track but doesn't want to spook investors by hiking up rates too soon.

Looking ahead, it's hard to know which way markets will go in the final weeks of the year. Historically, December has been a good month for equities, and stocks could be poised to go higher.⁹ In the plus column, the Fed promises continued low rates, plunging gas prices are putting more dollars in consumers' wallets, and spirits about the future are high. In the minus column, investors could be jittery about the knock-on effects of falling oil and may be feeling uncertain about 2015.

As 2014 draws to a close, we want to thank you for the privilege of serving you this year. We are honored by the trust you place in our firm and sincerely appreciate the opportunity to work with you. We are excited about what 2015 will bring and look forward to continuing to support you and your family for many more years to come.

ECONOMIC CALENDAR:

Monday: Existing Home Sales

Tuesday: Durable Goods Orders, GDP, Personal Income and Outlays, FHFA House Price Index, Consumer Sentiment, New Home Sales

Wednesday: Jobless Claims, EIA Petroleum Status Report

Thursday: U.S. Markets Closed for Christmas Holiday

Data as of 12/19/2014	1-Week	Since 1/1/14	1-Year	5-Year	10-Year
Standard & Poor's 500	3.41%	12.03%	14.43%	17.56%	7.34%
DOW	3.03%	7.41%	10.05%	14.48%	6.72%
NASDAQ	2.40%	14.10%	17.43%	23.09%	12.32%
U.S. Corporate Bond Index	-0.45%	3.68%	3.49%	1.97%	0.91%
International	0.85%	-6.97%	-3.94%	3.02%	2.02%
Data as 12/19/2014	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.01%	0.11%	0.26%	1.66%	2.17%

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:

Weekly jobless claims fall. Claims for new unemployment benefits and the four-week moving average both fell last week, indicating that the labor market is doing well in the fourth quarter.¹⁰

Service sector growth slows in December. Activity in the service sector – which contains industries like financial services, retail, and food service – grew at the slowest rate since February. Slow growth could take a bite out of fourth-quarter economic growth.¹¹

Inflation falls most in six years in October. Domestic prices for goods and services fell by the most in six years as gasoline prices plummeted. However, stripping out volatile food and fuel prices, core consumer prices edged slightly up.¹²

Mortgage rates fall, but buyers don't bite. Mortgage rates dropped to their lowest level since May 2013, but homebuyers don't seem to be interested. The takeaway? Though interest rates may rise next year, lower mortgage rates can still be found.¹³

QUOTE OF THE WEEK



"To accomplish great things, we must not only act, but also dream; not only plan, but also believe."

– Anatole France

RECIPE OF THE WEEK



Marinated Mushrooms



Serve these delicious mushrooms at your next party.

Serves 8

Ingredients:

3 tablespoons olive oil
12 ounces small button or cremini mushrooms
Kosher salt and black pepper
1/2 cup dry white wine
1/4 cup white vinegar
1/4 small red onion, thinly sliced
1 sprig fresh oregano
2 cloves garlic, peeled and smashed

Directions:

1. Brush the mushrooms free of dirt using a vegetable brush or paper towel. If necessary, run them under the tap, drying them thoroughly.
2. Heat the olive oil in a large, heavy bottomed skillet over medium-high heat. When the pan is hot, add the mushrooms with a sprinkle of salt. Cook until the mushrooms begin to brown (7 to 9 minutes) stirring occasionally to prevent sticking. If using a small pan, cook them in batches to avoid crowding.
3. In a non-reactive bowl, combine the mushrooms, vinegar, white wine, onion, oregano, garlic, a pinch of salt, and a pinch of pepper. Stir the mushrooms thoroughly to mix. Make sure the mushrooms are fully immersed in the liquid marinade.
4. Cover the bowl with plastic wrap and refrigerate the mushrooms for at least 8 hours or up to a week. The longer the mushrooms marinate, the more flavorful they will be.
5. Serve with crostini or as part of an appetizer tray.

Recipe adapted from Charlyne Mattox | RealSimple.com¹⁴



Understanding Gift Tax Exclusions

According to the IRS, a gift must be given with no expectation of receiving anything of equal value in return. Gifts can be cash, property, interest-free loans, payments made to a third party (like a school or hospital) on behalf of the recipient, below-market rate sales, and other types of property transfers. Generally, gifts that meet the following requirements are not taxable:

- Gifts that are less than the annual exclusion amount for the year (\$14,000 in 2014 and 2015).
- Tuition or medical expenses.
- Gifts to your spouse.
- Gifts to qualified charities and certain political organizations.

Gifts must also be of “present interest,” meaning that recipients must have the unrestricted right to immediately possess and use the property.

For more information about gifting and end-of-year tax issues, please contact a qualified tax professional.

Tip courtesy of IRS.gov¹⁵



Boost Your Smash Factor

The efficiency with which you translate clubhead speed into your golf ball is known as smash factor – so named because of the deformation of the ball as you strike it. Technically, smash factor is ball speed divided by club speed. The higher your smash factor, the better you will be at hitting longer shots.

- **Get your club professionally fitted.** Your club shaft should flex at the optimal point midway through the swing to snap the ball into the air. Since everyone's swing is different, a professional fitting can help match the club shaft to the quirks in your swing.
- **Speed up your wrists.** Your wrists generate more than two-thirds of the clubhead's velocity. Speeding up your wrists will do a lot to improve the speed of the swing. A simple drill you can follow is to grip your club right next to the clubhead and swing it one-handedly upside down. Listen for the rushing sound of the club whipping through the air, which should come at the lowest point of your swing. Repeat the drill with both hands, focusing on increasing the speed at the bottom of the swing.
- **Hit the sweet spot.** Improving the speed of your swing won't do much for you if you're not hitting the sweet spot of your club. Make sure that you are consistently hitting the clubface at the optimal point using impact tape or erasable marker.

Tip courtesy of Zach Allen | Golf Tips Mag¹⁶



Bad Habits That Aren't So Bad After All

What we know about health and the body is constantly changing. Things that were once considered universal truths have turned out to have a lot of wiggle room. Current research shows that certain habits that were once considered very unhealthy may not be so bad at all. Here are a few:

- **Skipping breakfast** was once thought to cause weight gain. However, two new studies show no link between missing a morning meal and cholesterol, metabolism, or weight.
- **Expressing anger** used to be linked to stress. While an explosive temper isn't much fun for those around you, suppressing anger isn't healthy either. One study

found that women who expressed anger instead of keeping it under wraps had lower inflammatory markers.

- **Taking naps** was often thought to be a sign of poor sleep patterns or bad eating habits. In fact, research has shown that a short nap can improve mental acuity and maintain alertness.

Tip courtesy of AARP¹⁷



Protect Plants From Cold Weather With Plastic Bottles

Cold weather can kill delicate seedlings, even if it's just an overnight drop in temperature. Instead of using expensive glass cloches or giving up on your garden, reuse clean plastic pop bottles as mini greenhouses. Here's how:

- Collect milk jugs, two-liter bottles, plastic cat litter jugs, and small water bottles.
- Rinse them clean and cut the bottom off with a utility knife. Match the bottle size to the plant you need to cover, making sure the leaves don't touch the sides of the bottle.
- Cover the plant and push the edges of the bottle about an inch into the soil.
- Cover the seedlings at least an hour before sunset to give the air inside the bottle time to warm.

Tip courtesy of SFGate¹⁸

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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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¹ <http://www.cnbc.com/id/102284110>

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<https://www.google.com/finance?chdnp=1&chfdeh=0&chdet=1419173920056&chddm=1955&cmpto=INDEXDJX:.DJI;INDEXSP:.INX;INDEXNASDAQ:.IXIC&cmptdms=0;0&q=INDEXDJX:.DJI,INDEXSP:.INX,INDEXNASDAQ:.IXIC&ntsp=0&ei=6dOWVMH5FpS28gbFyIG4Dg>

³ <http://www.cnbc.com/id/102282630>

⁴ <http://fuelgaugereport.aaa.com/todays-gas-prices/> (As of 12/21/14)

⁵ <http://www.businessweek.com/articles/2014-12-16/no-caviar-is-not-getting-cheaper-everything-you-need-to-know-about-the-russian-ruble-collapse>

⁶ <http://rt.com/news/216447-ruble-threat-german-economy/>

⁷ <http://www.cnbc.com/id/102284110>

⁸ <http://www.newsweek.com/us-growth-gives-federal-reserve-confidence-293049>

⁹ <http://www.usatoday.com/story/money/markets/2014/11/30/dec-market-report-santa-claus-rally/70098600/>

¹⁰ <http://www.cnbc.com/id/102279896>

¹¹ <http://www.cnbc.com/id/102279924>

¹² <http://www.cnbc.com/id/102275854>

¹³ <http://www.cnbc.com/id/102274680>

¹⁴ <http://www.realsimple.com/food-recipes/browse-all-recipes/marinated-mushrooms-1>

¹⁵ <http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Frequently-Asked-Questions-on-Gift-Taxes>

¹⁶ <http://www.golftipsmag.com/instruction/driving/lessons/increase-your-smash-factor.html?start=2#.VJcJfsAAHM>

¹⁷ <http://www.aarp.org/health/healthy-living/info-2014/good-news-about-bad-habits-photo.html>

¹⁸ <http://homeguides.sfgate.com/cover-plants-plastic-bottles-32572.html>