

Stocks ended the first full week of 2015 in the red, pulled in different directions by a mixed December jobs report, fresh oil declines, and renewed terrorist fears in the West. For the week, the S&P 500 lost 0.65%, the Dow fell 0.54%, and the Nasdaq slid 0.48%.¹

The December employment report was released on Friday and it has both good news and not-so-good news. Preliminary data shows that the economy added 252,000 jobs last month, bringing the total new jobs for 2014 to 2.95 million. The headline unemployment rate dropped to 5.6%.²

While the jobs growth is good news for continued economic growth in 2015, investors are worried about a lack of wage growth, which could put a damper on consumer spending. This prolonged absence of wage growth is perplexing. As the number of available jobs rises and the pool of unemployed Americans shrink, Econ 101 teaches us that employers should be forced to raise wages to attract and keep qualified employees. However, this doesn't seem to be happening. Inflation-adjusted hourly pay actually fell 0.2% between November and December and ended 2014 just 1.7% higher.³

Why is wage growth so slow? One theory developed by economists at the Federal Reserve Bank of San Francisco posits that "downward wage rigidity," the reluctance of employers to reduce wages in the recession, has created a backlog of pay cuts that's causing many employers to hold back on raises. Until the labor market tightens much more, stagnant wages are likely to remain.⁴

So, in the overall calculus of the economy, more new jobs = good, but frozen wages = not so good.

Oil prices continued to plunge last week. Benchmark Brent crude dropped below \$49 a barrel, but closed above \$50 on news that the number of U.S. drilling rigs had dropped significantly.⁵ The fallout from cheap oil for some North American oil producers, many of which rely heavily on debt to fund projects, is already being felt; Shell announced layoffs of up to 10% of the workforce of an Alberta tar sands project.⁶ A small Texas oil producer filed for bankruptcy protection last week after being turned down for financing by a lender.⁷ Given how reliant on credit many oil and gas producers are, more bankruptcies may follow in the weeks and months ahead. If small producers are squeezed out of the market, it could allow oil prices to climb back up to the levels preferred by OPEC nations.

On Wednesday, Charlie Hebdo, a satirical weekly newspaper in Paris, was attacked by three gunmen who killed 12 employees.⁸ Gunmen later attacked a kosher grocery, killing four others.⁹ Our thoughts are with the victims' families and the Paris community as they grapple with the aftermath of these horrific attacks.

The week ahead is heavy with economic data, including reports on retail sales for December and business inventory spending. A significant number of earnings reports are also due to be released, giving investors something other than macro-economic headlines to consider.

ECONOMIC CALENDAR:

Tuesday: JOLTS, Treasury Budget

Wednesday: Retail Sales, Import and Export Prices, Business Inventories, EIA Petroleum Status Report, Beige Book

Thursday: Jobless Claims, PPI-FD, Empire State Mfg. Survey, Philadelphia Fed Survey

Friday: Consumer Price Index, Industrial Production, Consumer Sentiment, Treasury International Capital

Data as of 1/9/2015	1-Week	Since 1/1/15	1-Year	5-Year	10-Year
Standard & Poor's 500	-0.65%	-0.68%	11.24%	15.72%	7.24%
DOW	-0.54%	-0.48%	7.86%	13.41%	6.73%
NASDAQ	-0.48%	-0.68%	13.18%	20.60%	12.52%
U.S. Corporate Bond Index	0.72%	1.09%	4.90%	2.38%	1.12%
International	-1.87%	-2.56%	-8.62%	1.35%	1.61%
Data as 1/9/2015	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.02%	0.08%	0.22%	1.45%	1.98%

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:

Automakers end 2014 with gains. Falling oil prices contributed to solid sales numbers for U.S. automakers, helping each company close out December with better results than December 2013. Trucks seem to be back in vogue as consumers take advantage of lower gas prices to buy less fuel-efficient vehicles.¹⁰

U.S. trade imbalance falls to 11-month low. The bill for U.S. imports fell in November as lower oil prices reduced transportation costs. The report caused economists to revise their estimates of fourth-quarter GDP growth to as much as 3.5%.¹¹

Federal Reserve FOMC minutes highlight differences in opinion. The official minutes of the Federal Reserve Open Market Committee meeting in December showed that though the Fed doesn't plan to raise interest rates until at least mid-April 2015, some committee members feel the central bank shouldn't commit itself to any particular timeline.¹²

Retailers shutting stores due to demographic and competitive pressure. Retailers like RadioShack, J.C. Penney, Macy's, and Wet Seal are laying off workers and closing stores. The companies cite increased competition from online retailers, demographic shifts away from suburbs, and changing consumer preferences as reasons for the closures.¹³

QUOTE OF THE WEEK



"To be what we are, and to become what we are capable of becoming, is the only end of life."

– Baruch Spinoza

RECIPE OF THE WEEK



Smoky Rotisserie Turkey Chili



Double this recipe and freeze the leftovers for busy nights.

Serves 4

Ingredients:

- 1 tablespoon olive oil
- 1 onion, chopped
- 1 poblano pepper, chopped
- 2 teaspoons ground cumin
- 1 28-ounce can diced tomatoes
- 2 15.5-ounce cans kidney beans, rinsed

Kosher salt and black pepper
2 cups shredded roasted turkey
Tortilla chips (optional)

Directions:

1. Heat the oil in a large saucepan over medium-high heat.
2. Add the onion and poblano and cook, stirring frequently, until they begin to soften, 4 to 6 minutes; stir in the cumin.
3. Add the tomatoes (with their juice), the beans, 2 cups water, 1¼ teaspoons salt, and ¼ teaspoon pepper and bring to a boil.
4. Reduce heat and simmer, stirring occasionally, until slightly thickened, 12 to 15 minutes.
5. Add the turkey and cook until heated through, about 3 minutes. Serve with tortilla chips, if desired.

Recipe adapted from Kate Merker | RealSimple.com¹⁴



How to Choose a Qualified Tax Professional

If you have a complex tax situation or want to help ensure you're getting the maximum refund possible, you may want to turn to a tax professional to help you with your 2014 taxes. If you're looking for professional tax help, there are a few things you should look for:

- Check for professional qualifications like an affiliation with a professional organization and a Preparer Tax Identification Number (PTIN). If you have a special tax situation, ask for the preparer's experience helping people in similar circumstances.
- Make sure you understand how your tax preparer is being paid. Avoid those who base their fees on a percentage of the refund. Make sure your refund is sent directly to you from the IRS. Under no circumstances should you allow any funds to be deposited into a third-party account.
- Never sign a blank return. The IRS will hold you personally responsible for any errors or omissions on the return, even when it's prepared by someone else. Always carefully review your return and make sure you understand everything before you sign.

For more information about filing your taxes or help finding a qualified tax professional, please contact our office.

Tip courtesy of IRS.gov¹⁵



Embrace the Slice

What's the difference between a slice and a fade? One is unintentional and misses the fairway, while the other is used by skilled golfers to achieve a long drive with just enough backspin to curve without rolling off into the rough. Here's a tip for turning a frustrating slice into a fade that Jack Nicklaus would be proud of:

Square up at address. Many chronic slicers attempt to avoid coming across the ball by setting up with their upper body facing one way and their lower body the other. Instead, align your toes, hips, and shoulders slightly left of the target (for a right-handed golfer); you can accommodate the fade without shooting the ball off to the right.

Tip courtesy of Derek Nannen, PGA | Golf Tips Mag¹⁶



Balance Test for Brain Health

Poor brain health can leave you at a higher risk for strokes as well as poor memory and cognitive decline. In the search for a simple, low-cost test for mini-strokes or brain bleeds, researchers in Japan came up with a one-balance test. Study participants were asked to balance on one leg with the other raised and their eyes open for 60 seconds.

Those who struggled to stand on one leg for 20 seconds were more likely to have tiny strokes or brain bleeds. Shorter balance times were also linked with poorer memory and cognitive tests.

Early detection of declining brain health is very important. Try giving yourself the test at home and speak with your doctor about the results.

Tip courtesy of AARP¹⁷

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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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¹ <http://goo.gl/qmctA8>

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- ² <http://www.cnbc.com/id/102324257>,
http://data.bls.gov/pdq/SurveyOutputServlet?request_action=wh&graph_name=CE_cesbref1
- ³ <http://www.bloomberg.com/news/2015-01-09/december-employment-gain-caps-best-year-for-u-s-since-1999.html>
- ⁴ <http://www.frbsf.org/economic-research/publications/economic-letter/2015/january/unemployment-wages-labor-market-recession/>
- ⁵ <http://www.reuters.com/article/2015/01/09/us-markets-oil-idUSKBN0KI08D20150109>
- ⁶ <http://www.cnbc.com/id/102325141>
- ⁷ <http://www.zerohedge.com/news/2015-01-07/first-shale-casualty-wbh-energy-files-bankruptcy-many-more-coming>
- ⁸ <http://www.bbc.com/news/world-europe-30710883>
- ⁹ <http://www.foxnews.com/world/2015/01/09/paris-terror-attack-suspects-reportedly-steal-car-take-hostage-in-northeast/>
- ¹⁰ <http://www.forbes.com/sites/maggiemcgrath/2015/01/05/ford-gm-and-chrysler-close-out-2014-with-auto-sales-gains/>
- ¹¹ <http://www.bea.gov/newsreleases/international/trade/tradnewsrelease.htm>
- ¹² <http://www.cnbc.com/id/102318510>
- ¹³ <http://www.cnbc.com/id/102321675>
- ¹⁴ <http://www.realsimple.com/food-recipes/browse-all-recipes/turkey-and-poblano-chili-recipe-00000000022636>
- ¹⁵ <http://www.irs.gov/uac/Tips-for-Choosing-a-Tax-Return-Preparer>
- ¹⁶ <http://www.golftipsmag.com/instruction/driving/lessons/increase-your-smash-factor.html?start=2#.VJcJfsAAHM>
- ¹⁷ <http://blog.aarp.org/2014/12/30/can-you-pass-the-one-leg-test-for-brain-health/>