
What Clues Did the First Month of the Year Leave Us?

Weekly Update – February 2, 2015

Markets were driven lower in another volatile week of trading, ending the first month of 2015 in the red. For the week, the S&P 500 lost 2.77%, the Dow fell 2.87%, and the Nasdaq dropped 2.58%.¹

One of the major contributors to the week's losses was an unexpected miss in fourth quarter economic growth. The first estimate of Gross Domestic Product (GDP) showed that the economy grew an underwhelming 2.6% in the last three months of 2014. This is a significant drop from the 5.0% growth the economy saw in the third quarter and below economists' expectations of 2.8%-3.0% growth. However, consumer spending was higher than expected, showing that Americans are still buying. Also, keep in mind that this is just the first estimate of GDP growth.² A lot of economic data has yet to be analyzed, and we can hope for upward revisions in the months to come.

Earnings season marches onward and the news is mixed. While the reports we've seen from 228 S&P 500 companies show that earnings are up 5.5% over the same period in 2013, revenues are up just 1.7%.³ Overall, U.S. companies appear to be struggling with three factors:

- Falling oil prices, which are seriously affecting energy companies and interrelated businesses.
- The strength of the U.S. dollar, which is hitting companies that depend on foreign demand hard. A strong dollar makes it more expensive to buy U.S. products.
- Weak global economic growth. This factor is also pressing down forward guidance from companies, many of which are expecting a tough business environment in 2015.⁴

Even if overall earnings numbers may not look inspiring, there are a lot of individual success stories in each sector. Though volatility is stressful, it can provide opportunities for investors who can be flexible. Part of what we do for our clients is look for those opportunities for growth in every market environment.

Oil prices continued to slide though some analysts believe we may be approaching an oil price floor. One industry insider believes that oil prices could double by the end of 2015 as oil companies respond to the supply glut by slowing down production.⁵

Looking forward, the week ahead is filled with more economic reports, including the January Employment Situation Report, which will hopefully show continual improvement in the labor market. Markets are likely to remain volatile in the days and weeks ahead, but we can hope that positive data might encourage investors to "buy the dip."

ECONOMIC CALENDAR:

Monday: Personal Income and Outlays, PMI Manufacturing Index, ISM Mfg Index, Construction Spending

Tuesday: Motor Vehicle Sales, Factory Orders

Wednesday: ADP Employment Report, ISM Non-Mfg. Index, EIA Petroleum Status Report

Thursday: International Trade, Jobless Claims, Productivity and Costs

Friday: Employment Situation

Data as of 1/30/2015	1-Week	Since 1/1/15	1-Year	5-Year	10-Year
Standard & Poor's 500	-2.77%	-3.10%	11.19%	17.16%	7.03%
DOW	-2.87%	-3.69%	8.31%	14.10%	6.46%
NASDAQ	-2.58%	-2.13%	12.42%	23.17%	12.77%
U.S. Corporate Bond Index	1.59%	2.71%	5.68%	2.71%	1.18%
International	-0.28%	0.44%	-2.99%	3.37%	1.83%
Data as 1/30/2015	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.01%	0.07%	0.18%	1.18%	1.68%

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:

Durable goods fall sharply in December. Orders for long lasting U.S. manufactured goods dropped 3.4% in December after falling 2.1% in November, raising questions about the health of one of the economy's most important sectors. Though demand for automobiles grew, a core indicator of business investment fell for the fourth straight month.⁶

Consumer sentiment brightens in January. Optimism about better job and wage prospects sent a measure of U.S. consumer sentiment to its highest level since 2004. Hopefully, increased confidence in the economic expansion will translate into higher consumer spending this quarter.⁷

Chinese factory growth slides. China's manufacturing sector unexpectedly shrank in January to the lowest level since 2012. Since factories often experience a bump just before an important spring holiday, the drop could presage further gloom for China's economy.⁸

Jobless claims fall to 14-year low. The number of Americans filing new claims for unemployment benefits fell to the lowest level since 2000. Claims had been trending higher in previous reports, so the sudden drop is an indicator that the labor market is returning to its positive trend.⁹

QUOTE OF THE WEEK



"Success is walking from failure to failure with no loss of enthusiasm."

– Winston Churchill

RECIPE OF THE WEEK



Ginger Vanilla Cheesecake



Turn up the volume on a simple cheesecake with a ginger graham crust.

Serves 6

Ingredients:

- 3 8-ounce packages cream cheese, at room temperature
- 4 eggs
- 1 1/4 cups sugar
- 2 teaspoons pure vanilla extract
- 1 cup sour cream
- 2 packages cinnamon graham crackers (enough to make 2 1/4 cups of crumbs)
- 2 tablespoons ground ginger or 1 ounce of crystallized ginger
- 10 tablespoons of unsalted butter, melted

Directions:

1. Preheat the oven to 350° F. Make the crust by breaking up the graham crackers and grinding into crumbs using a food processor. Add the ginger and butter and pulse until combined.
2. Press the mixture into the bottom and sides of a 9-inch spring-form pan and bake for 10-12 minutes. Set aside to cool and lower your oven temperature to 325° F
3. While the crust is baking, beat the cream cheese in a large bowl until smooth and creamy. Add the eggs one at a time and beat until incorporated. Add one cup of sugar and 1 tsp of vanilla extract and beat until combined.
4. Pour the filling into the cooled crust and bake for 45 minutes until the top has puffed and is beginning to brown. The center should still be slightly jiggly (it will continue to cook after the cheesecake is removed from the oven).
5. Whisk together the remaining sugar, vanilla, and sour cream. Pour the topping over the cheesecake and spread to the edges. Bake for another 5 minutes. Cool the cheesecake and chill for eight hours or overnight before serving.

Recipe adapted from Frank Mentasana | RealSimple.com¹⁰



Who Can You Claim As A Dependent?

If you have children or relatives that you support financially, you may be able to claim them as dependents on your tax return. Here's a brief rundown of the rules regarding dependents:

- Dependents must be either qualifying children or qualifying relatives and must pass five tests relating to their relationship to you, gross income, level of financial support, joint return, and citizenship/residency requirements.
- You generally cannot claim your spouse as a dependent.
- If someone qualifies as your dependent by passing dependency tests, they cannot claim a personal exemption on their own tax return, even if you don't claim them on your tax return.

For more information on dependent eligibility, check out the IRS Tax Assistant Tool on IRS.gov or speak with a qualified tax professional.

Tip courtesy of IRS.gov¹¹



Max Out Your Iron Power

Don't think power matters in your iron play? Think again. While swinging away isn't always the best option, having more power can help you in situations where you are between irons. Hitting a shorter iron more powerfully is often easier than swinging a long-lofted iron.

To max out your irons, don't just swing harder. Instead, work on developing "lag" in your swing by holding the angle between your forearm and the club shaft longer than you usually would. Don't release until you are directly over the ball to increase speed and power.

Tip courtesy of Tom Leese, PGA | Golf Tips Mag¹²



Common Medications May Be Linked to Alzheimer's & Dementia

A recent medical study linked long-term use of some common allergy and sleep drugs to increased risks of several types of dementia. The seven-year study found that though short-term use of several sleep aids and antihistamines were not linked to problems, long-term use might permanently affect memory and brain function. The study recommended speaking with a physician about the potential long-term effects of your medications and using alternative drugs where possible. At no point should you stop taking medication without the advice of your physician.

Tip courtesy of AARP¹³



"Cool" Roofs Reduce Energy Costs In Hot Weather

Most buildings in the U.S. are built with dark-colored roofs that can reach temperatures of up to 190°F in hot weather, drastically increasing energy requirements for cooling. However, light-colored roofs designed with reflective surfaces and other features can reduce the heat introduced into your home and can save you 10 – 15 percent on air

conditioning costs. If you need to replace your roof and would like to save energy, consider an ENERGY STAR[®] rated roof system.

Tip courtesy of EPA.gov¹⁴

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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.

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¹ <http://goo.gl/RPwDsE>

² <http://www.cnbc.com/id/102383485>

³ <http://www.zacks.com/commentary/37601/3-factors-define-q4-earnings-season>

⁴ <http://www.zacks.com/commentary/37601/3-factors-define-q4-earnings-season>

⁵ <http://www.cnbc.com/id/102381893>

⁶ <http://www.usatoday.com/story/money/business/2015/01/27/durable-goods-orders-december/22370639/>

⁷ <http://www.reuters.com/article/2015/01/30/us-usa-economy-sentiment-idUSKBN0L31QI20150130>

⁸ <http://www.reuters.com/article/2015/02/01/us-china-economy-pmi-idUSKBN0L50ZX20150201>

⁹ <http://www.marketwatch.com/story/jobless-claims-drop-to-14-year-low-2015-01-29>

¹⁰ <http://www.realsimple.com/food-recipes/browse-all-recipes/vanilla-cheesecake>

¹¹ <http://www.irs.gov/uac/Six-Tips-on-Who-Should-File-a-2014-Tax-Return>

<http://www.irs.gov/uac/A-%E2%80%9CQualifying-Child%E2%80%9D>

¹² <http://www.golftipsmag.com/instruction/iron-play/quick-tips/iron-power.html#.VM5em2TF-I0>

¹³ <http://blog.aarp.org/2015/01/29/common-sleep-and-allergy-medications-linked-to-dementia-alzheimers/>

¹⁴ <http://www.energystar.gov/products/certified-products/detail/roof-products>