

After a volatile winter, stocks ended the quarter about where they started. Oil prices, a strong dollar, and concerns about interest rates contributed to the volatility and uncertainty remains as we enter the second quarter. For the quarter, the S&P 500 gained 0.47%, the Dow lost 0.32%, and the NASDAQ gained an outsized 3.68%.¹

What are some of the factors that affected market performance in Q1?

Economic growth data suggested that the economy might have slowed at the beginning of the year. After a strong third quarter of 2014, the economy lagged in the final three months of the year, clocking in just 2.2% growth. Overall, the economy grew 2.4% in 2014, up from 2.2% in 2013.² While we don't have official first quarter GDP numbers, unofficial estimates suggest that economic growth may have ground to a halt in the first quarter.

Though 0.0% GDP growth isn't great news, keep in mind that the economy shrank 2.1% in the first quarter of 2014 and then rebounded to grow 4.6% in the second quarter and 5.0% in the third quarter.³ There's no guarantee that we'll see a repeat of last year's trend, but warmer spring weather may translate into stronger consumer spending and housing market activity.

Much of the slowdown in growth can be attributed to the effects of the strong dollar and weak oil prices. While cheap oil is a windfall to U.S. consumers who benefit from lower pump prices, volatile prices are hitting domestic oil producers hard. The strong U.S. dollar, which gained over 15.0% on the euro last quarter, has also affected demand for U.S. products.⁴

Investors were also concerned about weak overseas growth, which is affecting corporate profits. The U.S. economy has disengaged from global growth and is leaving many other economies behind. Though domestic demand is strong, lagging economic growth in Europe and other economies is complicating the global growth picture. However, the European Central Bank has stepped up to undertake its own quantitative easing program⁵ and we can hope that Eurozone growth will accelerate.⁵

The labor market continued to make important strides last quarter, adding over half a million new jobs. The overall unemployment rate dropped to 5.5% - the lowest rate in six years. Wage growth also picked up as employers were forced to offer higher pay to attract workers.⁶ However, the March jobs report shows that the economy created just 126,000 new jobs, less than half of February's gain and the smallest gain in over a

year.⁷ Was March just an off month because of oil prices and a cold winter? That's the question the Fed will need to answer as it ponders future interest rate moves.

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

The Federal Reserve has been a big player over the last few months and speculation around future monetary policy decisions will likely cause market volatility in the coming weeks and months. Now that economy-stimulating bond purchases have ended, the Fed is planning to raise interest rates sometime this year. Though March's disappointing jobs report may give Fed economists pause for thought, interest rate changes may cause investors to get nervous. We know that the Fed is carefully monitoring data and will make only gradual changes to rates, so we can hope that market reactions will be brief.

Markets are running high, with the S&P 500 closing within 5.0% of its all-time high for 56 of the 61 trading days last quarter. Such strong investor optimism can sometimes presage a pullback as investors pause to take stock of the market environment. Is a pullback certain? Certainly not. We don't have any way to predict what will happen so we focus on setting reasonable goals, managing risk, and keeping a careful eye on market movements.

Bottom line: Though many domestic economic fundamentals are strong going into the spring, weak oil prices, a resurgent dollar, and stagnant overseas growth could cloud the picture. As Q1 earnings trickle in, positive surprises could translate into additional market upside. However, earnings estimates have come down in recent weeks and corporate profits may be affected by rising wages and slower growth.⁸

Since we can't know where markets are going with any certainty, we recommend staying focused on your long-term goals and keeping short-term performance in perspective. We are continuously monitoring markets and are prepared to make changes as conditions warrant.

If you have any questions about your investment strategy, please give us a call. We'd be delighted to discuss it with you.

ECONOMIC CALENDAR:

Monday: ISM Non-Mfg. Index

Tuesday: JOLTS

Wednesday: EIA Petroleum Status Report, FOMC Minutes

Thursday: Jobless Claims

Friday: Import and Export Prices, Treasury Budget

Data as of 4/3/2015	1-Week	Since 1/1/15	1-Year	5-Year	10-Year
Standard & Poor's 500	0.29%	0.39%	9.43%	15.09%	7.62%
DOW	0.29%	-0.34%	7.18%	12.51%	7.07%
NASDAQ	-0.09%	3.19%	15.32%	20.68%	14.62%
U.S. Corporate Bond Index	0.45%	1.79%	4.35%	2.58%	1.45%
International	0.16%	5.52%	-2.67%	3.14%	2.20%
Data as 4/3/2015	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.04%	0.10%	0.21%	1.26%	1.85%

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:

Consumer spending flat in February. Spending by U.S. consumers barely moved in February as savings levels rose to their highest levels in more than two years. While this may affect economic growth in the first quarter, it may bode well for future spending.⁹

Motor vehicle sales edge upward in March. Consumer demand for new vehicles picked up slightly last month. Sales were driven largely by demand for foreign cars and big trucks and SUVs from domestic manufacturers.¹⁰

Factory orders surge in February. Despite the strong U.S. dollar, new orders for manufactured goods unexpectedly rose 0.2% in February after six straight months of declines. Excluding volatile transportation orders, factory orders rose 0.8%.¹¹

U.S. trade deficit narrows. The gap between imports and exports narrowed in February as a strong dollar and a labor dispute at one of America's main ports affected trade. The small deficit may raise first quarter GDP estimates.¹²



“Successful and unsuccessful people do not vary greatly in their abilities. They vary in their desires to reach their potential.”

– John Maxwell



Fragrant Lemon Bars



Serve these light lemon bars at your next party.

Makes 24 bars

Ingredients:

Crust:

nonstick cooking spray
1 1/2 cups all-purpose flour, spooned and leveled
1/2 cup (1 stick) cold unsalted butter, cut into pieces
1/3 cup granulated sugar
1/4 teaspoon kosher salt

Filling:

3 large eggs
1 large egg yolk
2/3 cup granulated sugar
1/3 cup fresh lemon juice
2 teaspoons finely grated lemon zest
2 tablespoons all-purpose flour
2 tablespoons heavy cream
1/8 teaspoon kosher salt
Confectioners' sugar, to dust over top

Directions:

1. Pre-heat your oven to 350° F. Use the cooking spray to grease an 8-inch square baking pan. Line the pan with two pieces of parchment paper, leaving an overhang on each side of the pan. Spray the paper with the spray.
2. Using a food processor or pastry cutter, mix together the flour, cold butter, white sugar, and salt. Process the mixture until it resembles small crumbs. Press the crust firmly into the bottom of the pan. Bake the crust for about 30 minutes until it is pale and yellow. Do not cool.
3. While the crust is in the oven, whisk the eggs, yolk, white sugar, lemon juice and zest, cream, and salt.
4. When the crust is still hot, pour the filling over top. Bake for about 15-20 minutes until the filling is just set. Set on the counter to cool completely and then refrigerate until cold for at least 2 hours.
5. When the cake is cold, use the parchment paper to lift it out of the pan. Cut into 24 pieces and store in an airtight container in the refrigerator until ready to serve. Dust with the confectioner's sugar just before serving.

Recipe adapted from Gina Marie Miraglia Eriquez | RealSimple.com¹³



Reporting Foreign Income

If you're a U.S. citizen or resident who earned income from a foreign source, you may need to report it on your taxes. Here's what you need to know:

- **Report all income earned.** Any income earned worldwide must be reported, including income from foreign trusts, and foreign bank and securities accounts.
- **Consider the Foreign Earned Income Exclusion.** If you live and work abroad, you may be able to exclude up to \$99,200 of foreign earned income in 2014. Contact a tax specialist for more information.
- **Review all credits and deductions.** You may be able to reduce your U.S. taxes by deducting any taxes paid to a foreign country.
- **Use the tax filing extension.** If you live outside the country and can't file your taxes on time, you may qualify for an automatic two-month extension and can file by June 15 without any penalty.

For more information about foreign income, read Publication 54, "Tax Guide for U.S. Citizens and Resident Aliens Abroad" or speak with a qualified tax professional.

Tip courtesy of IRS.gov¹⁴



Two Thoughts For a Long Drive

To get more distance on a long drive, keep two things in mind as you swing. From the top of the back swing your hands should come down first, ahead of your elbows, and go straight for the ball instead of moving out or back.

Second, the ball of your back foot should be planted firmly into the turf to drive the right knee forward toward the ball. Your knee moving forward will initiate an athletic hip turn that will effectively transfer power into the ball, giving you greater distance on your drives.

Tip courtesy of Landon Colling | Golf Tips Mag¹⁵



Late Nights Can Increase Health Problems

Research shows that middle-aged night owls are at a higher risk for diabetes and other health problems than those who hit the sack early – even if they get the same amount of sleep. A new study shows that those whose sleep-wake cycle makes them stay up late are at risk of lower muscle mass, metabolic syndrome, and diabetes. If you're a natural night owl:

- Improve your sleep hygiene by shutting off computers and televisions early.
- Avoid late-night snacking.
- Limit exposure to bright lights and speak to your physician about melatonin supplements.

Tip courtesy of AARP¹⁶



Make Simple Energy Fixes

Though green home improvements like new windows and solar panels can make your house more efficient, it's wise to crunch the numbers before plunking down large amounts of money. Many energy-saving projects don't make financial sense unless you plan to stay in your home for many more years.

First, focus on replacing appliances as needed with energy-efficient models and taking on inexpensive projects first. Simple fixes like extra insulation, filling in gaps around windows, and programmable thermostats can make a big difference in your energy bill without costing a fortune.

Tip courtesy of AARP¹⁷

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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.

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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/LHCQBB>

² <http://www.foxbusiness.com/economy-policy/2015/03/27/us-economy-grew-22-in-fourth-quarter/> ,
<http://www.businessinsider.com/q4-gdp-third-estimate-march-27-2015-3>

³ <http://www.forbes.com/sites/samanthasharf/2014/07/30/u-s-gdp-grew-4-in-the-second-quarter-2014/> ,
<https://www.whitehouse.gov/blog/2014/12/23/third-estimate-gdp-third-quarter-2014>

⁴ Historical USD/EU daily bid rates between 1/1/15 and 3/31/15

<http://www.oanda.com/currency/historical-rates/>

⁵ <http://www.bloomberg.com/news/articles/2015-03-16/how-europe-s-historic-qe-plan-is-seen-shaping-up>

⁶ <http://www.bls.gov/news.release/pdf/empsit.pdf>

⁷ <http://www.foxbusiness.com/economy-policy/2015/04/03/march-jobs-report/?intcmp=marketfeatures>

⁸ <http://www.zacks.com/commentary/40989/what-to-look-for-this-earnings-season>

⁹ <http://www.foxbusiness.com/economy-policy/2015/03/30/personal-spending-income-rise-in-february/>

¹⁰ <http://www.foxbusiness.com/industries/2015/04/01/fcau-march-sales-meet-wall-street-views/>

¹¹ <http://www.foxbusiness.com/economy-policy/2015/04/02/factory-orders-rise-in-february/>

¹² <http://www.foxbusiness.com/economy-policy/2015/04/02/us-trade-gap-narrows-to-lowest-level-since-0/?intcmp=fbtopstories>

¹³ <http://www.realsimple.com/food-recipes/browse-all-recipes/lemon-bars>

¹⁴ <http://www.irs.gov/uac/Seven-Tax-Tips-about-Reporting-Foreign-Income>

¹⁵ https://www.youtube.com/watch?list=UUPLAYER_GolfTipsMag&v=bMBkC9LpDD4

¹⁶ <http://blog.aarp.org/2015/04/03/night-owls-at-higher-risk-for-diabetes-health-problems/>

¹⁷ http://www.aarp.org/money/budgeting-saving/info-10-2010/savings_challenge_why_living_green_costs_less.2.html