
Earnings Season Is Still Young: Here Are the Facts

Weekly Update – April 20, 2015

Events in China and Europe triggered a modest worldwide sell-off last week, and lackluster corporate earnings in the U.S. contributed to market doldrums. For the week, the S&P 500 fell 0.99%, while the Dow and the NASDAQ both lost 1.28%.¹

Investors sent stocks lower early in the week as they grappled with revenue growth problems in first quarter earnings reports. Nearly three-quarters of the S&P 500 companies that have reported earnings so far have beat profit expectations, but fewer than half of those companies have exceeded revenue expectations.² These results mean that firms are overcoming weak demand by carefully managing their expenses. Even so, cost cutting has its limits if sales don't eventually pick up.

However, earnings season is still young, and several big-name U.S. firms are scheduled to report this week. Once firms such as Morgan Stanley [MS], Amazon [AMZN], Boeing [BA], and General Motors [GM] release their data, investors may have a better view into whether markets will snap back from last week's fall.

U.S. investors got nervous last week when fears that Greece will exit the euro (the so-called Grexit) rose again after negotiations faltered between Greek leaders and creditors. A Greek exit from the euro would likely have serious consequences for the rest of the Eurozone. Both sides must come to an agreement soon if Greece is to avoid defaulting next month on loans. In response to the tension, bond yields on Greek debt rose and European stocks suffered their biggest fall since the middle of January.^{3,4}

Meanwhile, new stock trading rules in China sparked more investor concerns. Chinese regulators introduced new rules banning some kinds of high-margin trading. Higher margins put traders at risk of greater losses if stock markets drop. China wants to protect an equity market that may be overheating and an expanding economy that may be cooling off.⁵

This week, investors are looking forward to a heavy flood of earnings reports as first-quarter earnings season kicks into high gear. Though it's too early to predict overall earnings, the tough growth picture – largely due to headwinds from the strong U.S. dollar, weak overseas growth, and low oil prices – may make it hard for companies to beat their revenue expectations.

ECONOMIC CALENDAR:

Wednesday: Existing Home Sales, EIA Petroleum Status Report

Thursday: Jobless Claims, PMI Manufacturing Index Flash, New Home Sales

Friday: Durable Goods Orders

Data as of 4/17/2015	1-Week	Since 1/1/15	1-Year	5-Year	10-Year
Standard & Poor's 500	-0.99%	1.08%	11.60%	14.92%	8.21%
DOW	-1.28%	0.02%	8.64%	12.36%	7.67%
NASDAQ	-1.28%	4.13%	20.42%	19.75%	15.85%
U.S. Corporate Bond Index	0.51%	2.21%	4.03%	2.48%	1.48%
International	-0.27%	6.83%	-0.94%	3.29%	2.47%
Data as 4/17/2015	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.03%	0.08%	0.23%	1.31%	1.87%

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:

Rising gas prices nudge inflation up. The consumer price index, an indicator of inflation, increased 0.2% in March, thanks to higher oil and gas prices, although it's still down 0.1% for the past 12 months. The slight rise suggests inflation may start heading toward the Federal Reserve's 2.0% target, if the strong U.S. dollar doesn't stand in its way.⁶

Consumer sentiment rises. An early measure of consumer confidence was higher in April than in March, surpassing economists' expectations and indicating that Americans may be more optimistic about their prospects this quarter.⁷

Homebuilders feel more confident. An index that tracks expectations of future home sales reached its highest level of the year in April, slightly beating expectations. Job growth and low interest rates are likely contributing to homebuilder optimism about the housing market.⁸

Retail sales rebound in March. After a slow start to the year, retail sales rose 0.9% in March as Americans went shopping. Higher motor vehicle, furniture, and clothing sales show that the consumer sector is still strong, potentially raising first quarter economic growth numbers.⁹

QUOTE OF THE WEEK



“Without ambition one starts nothing. Without work one finishes nothing. The prize will not be sent to you. You have to win it.”

– Ralph Waldo Emerson

RECIPE OF THE WEEK



Low-Carb Pork Soba Noodles



Japanese soba noodles have fewer carbs than regular pasta, making them great for those who need to watch their carb intake.

Ingredients:

6 ounces soba noodles
1 1/4-pound pork tenderloin, thinly sliced against the grain
Kosher salt and black pepper
1 tablespoon vegetable oil
1 tablespoon soy sauce
1/2 English cucumber, thinly sliced
2 scallions, green and white parts chopped
1 red chili pepper, sliced (substitute red bell pepper for a less spicy version)
2 tablespoons rice vinegar
2 teaspoons sesame oil

Directions:

1. Cook the soba noodles according to the directions on the package. Set aside in a large bowl, tossing to keep them from sticking.
2. Season the pork with the soy sauce and a pinch of black pepper. Toss to incorporate.
3. Heat the vegetable oil in a heavy-bottomed pan over medium-high heat. Cook the sliced pork in batches to allow it to brown in the oil, 1-2 minutes per side. Add the pork to the noodles.
4. Add the cucumber, scallions, red pepper, sesame oil, vinegar, and additional salt and pepper to taste.

Recipe adapted from Gina Marie Miraglia | RealSimple.com¹⁰



What You Need To Know About Bartering

Even if you don't own a business, you may occasionally trade products or services with someone else instead of paying cash. If you barter, the value of the goods or services you trade is considered taxable income. Here's what you need to know:

- Both parties in a trade must report the fair market value of the products or services they receive as income.
- Barter exchanges, organized marketplaces where members trade goods or services, are required to issue Form 1099-B, proceeds from Broker and Barter Exchange Transactions. You must include the amount earned on your tax return.
- Bartering is taxable in the year the trade occurs. Depending on your individual situation, you may owe income taxes, self-employment taxes, employment taxes or excise taxes on your bartering income.

If you have questions about how to handle income from bartering or other sources, contact a tax professional.

Tip courtesy of IRS.gov¹¹



Keep Your Iron Flight Low

When the wind is strong your ball's flight path must take it underneath or around tree limbs, being able to keep your trajectory low is key to making shots. To keep the ball

low with an iron, you need to pay close attention to your swing plane, swing length, and the finish position of your clubhead. Here are a few tips that can help you keep the ball low:

- Place the ball back.
- Set up further away from the ball.
- Extend your arms more during the release.
- Grip down on the club for a more compact swing.

Tip courtesy of Derek Nannen, PGA | Golf Tips Mag¹²



Want More Clarity? Try Daily Meditation

Research shows that regular meditation can help improve brain function regarding memory, empathy, and stress. Reap the cognitive and psychological benefits of meditation with these easy tips:

- Start simply with two five-minute sessions every day.
- Focus on the sensation of your breath in your nostrils and chest.
- When your mind wanders (and it will), take notice and gently bring it back to your breath.
- Leverage technology by downloading meditation and mindfulness apps on your phone. They can help you with guided exercises, reminders, and helpful tips.

Tip courtesy of AARP¹³



Give Yourself A Home Energy Audit

A home energy assessment is a simple way to evaluate how much energy your home uses and determine how you can make it more energy-efficient. An audit can also identify problem areas and show you the biggest opportunities for energy savings in your house.

While a professional energy audit by a qualified specialist will be more thorough and accurate, you can start by conducting a simple online assessment through the Department of Energy's Home Energy Saver available at: <http://hes.lbl.gov/consumer/>

Tip courtesy of U.S. Department of Energy¹⁴

Share the Wealth of Knowledge!
Please share this market update with family, friends, or colleagues.

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.

Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.

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/2973fC>

² <http://www.reuters.com/article/2015/04/18/us-markets-stocks-usa-weekahead-idUSKBN0N82MC20150418>

³ <http://www.foxbusiness.com/markets/2015/04/17/european-stock-slump-disappointing-earnings-drive-us-market-lower-in-broad-sell/>

⁴ <http://www.bloomberg.com/news/articles/2015-04-17/europe-index-futures-little-changed-stocks-set-for-weekly-drop>

⁵ <http://www.bloomberg.com/news/articles/2015-04-17/china-futures-tumble-on-trust-curbs-expansion-of-short-selling>

⁶ <http://abcnews.go.com/Business/wireStory/higher-us-gas-prices-spark-modest-inflation-march-30387087>

⁷ <http://www.bloomberg.com/news/articles/2015-04-17/consumer-sentiment-in-u-s-climbs-to-second-highest-since-2007>

⁸ <http://www.businessinsider.com/nahb-housing-market-index-april-2015-2015-4>

⁹ <http://www.foxbusiness.com/economy-policy/2015/04/14/march-retail-sales-rebound-log-biggest-gain-in-year/>

¹⁰ <http://www.realsimple.com/food-recipes/browse-all-recipes/spicy-pork-and-soba-noodles-0>

¹¹ <http://www.irs.gov/uac/Bartering-Income-The-Value-of-Property-or-Services-You-Receive>

¹² https://www.youtube.com/watch?list=UUPLAYER_GolfTipsMag&v=lruoWO_pHyl

¹³ <http://www.aarp.org/health/healthy-living/info-2015/meditation-cure.2.html>

<http://www.aarp.org/health/healthy-living/info-2015/meditation-cure.2.html>

¹⁴ <http://hes.lbl.gov/consumer/quick-general>