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## Fed Upbeat About Economic Recovery

Weekly Update – May 26, 2015

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Despite flirting with new records, markets weren't able to hold on to gains last week and closed mixed after comments about interest rates were made by Federal Reserve Chair Janet Yellen. For the week, the S&P 500 gained 0.16%, the Dow lost 0.22%, and the NASDAQ gained 0.81%.<sup>1</sup>

Yellen gave a speech Friday that underlined her determination to raise interest rates this year as long as the economic recovery continues. Though she didn't really say anything new, her comments underscore the fact that the Fed is committed to returning to normal monetary policy as soon as economists feel the economy can handle it. She also emphasized that interest rate hikes will be done gradually over a period of years, which should help cushion the blow to financial markets.<sup>2</sup>

Could Yellen have been floating the idea to see how markets will react to a more aggressive stance on interest rates? Possibly. If so, the next few weeks could give us an idea of how investors will treat the news. Her speech also highlights her optimism about economic growth despite some weak reports in recent weeks.

Last week's jobs report showed that the number of Americans filing new claims for unemployment benefits rose slightly to 274,000. However, the four-week moving average, a less volatile indicator, fell to the lowest level since April 2000.<sup>3</sup> Outside of the energy sector, which has lost thousands of jobs due to low oil prices, layoffs in the U.S. have been minimal in the past months.

Though jobless claims (a good indicator of layoffs) rose slightly, claims from Americans renewing unemployment applications fell to the lowest level since November 2000.<sup>4</sup> Currently, the overall trend is one of steady improvement in the labor market, which we hope will translate into higher consumer confidence and spending this summer.

Core inflation data also supports a move to higher interest rates later this year. The Fed has the "dual mandate" of keeping unemployment low and inflation stable and had tied monetary policy changes to two numbers: a headline unemployment rate of 5.2-5.6% and annual inflation of 2.0%.<sup>5</sup> While the employment goal has been reached, the inflation target has been more elusive.

While some economists have worried about too-low inflation, the latest Consumer Price Index (CPI) figures suggest that core CPI, the number most used by economists, rose 1.8% in the last year. This stable rise, just under the Fed's target, indicates that price

pressures remain stable but are moving higher and closer to the 2.0% goal.<sup>6</sup>

Looking ahead, analysts will be closely watching Friday's second reading of the Q1 Gross Domestic Product (GDP) report. Unfortunately, the news isn't expected to be good, and many economists expect to see that the economy shrank amid harsh winter weather and dock strikes. However, there's considerable hope that the economy is rebounding in the second quarter (much as it did last year).<sup>7</sup>

## ECONOMIC CALENDAR:

**Monday:** U.S. Markets Closed For Memorial Day Holiday

**Tuesday:** Durable Goods Orders, S&P Case-Shiller HPI, New Home Sales, Consumer Confidence, Dallas Fed Mfg. Survey

**Thursday:** Jobless Claims, Pending Home Sales Index, EIA Petroleum Status Report

**Friday:** GDP, Chicago PMI, Consumer Sentiment

Data as of 5/22/2015	1-Week	Since 1/1/15	1-Year	5-Year	10-Year
Standard & Poor's 500	0.16%	3.26%	12.34%	19.09%	7.88%
DOW	-0.22%	2.29%	10.21%	15.77%	7.41%
NASDAQ	0.81%	7.46%	22.51%	25.66%	14.87%
U.S. Corporate Bond Index	-1.00%	-1.43%	-0.41%	1.56%	1.18%
International	-0.73%	9.04%	0.03%	7.39%	2.90%
<b>Data as 5/22/2015</b>					
Treasury Yields (CMT)	0.01%	0.08%	0.23%	1.57%	2.21%

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:

**Factory growth slows for second month.** Growth in the U.S. manufacturing sector, a major driver of economic activity, slowed down for another month in May. New orders increased at a very slow pace, indicating that next month might be slow as well.<sup>8</sup>

**U.S. gas prices at six-year low.** Just in time for the summer driving season, pump prices across the nation are at a multi-year low. According to AAA, average gas prices were just \$2.74 across the country. Hopefully, fuel savings will result in greater consumer spending.<sup>9</sup>

**Greece can't pay its June bills.** Greek leaders announced that they won't be able to make debt repayments next month unless they receive another round of rescue funding. Despite months of negotiation, it's unclear whether a deal can be reached that would

prevent Greek insolvency.<sup>10</sup>

**April housing starts surge.** Groundbreaking and permits for new homes spiked in April to the highest level in over seven years, indicating that homebuilders were confident about future sales. March numbers were also revised upward in a very hopeful sign for the housing market.<sup>11</sup>



*“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



### **Spiced Grilled Chicken With Arugula Salad**



*Don't feel like grilling? Cook the chicken breasts in a non-stick pan.*

Serves 4

#### **Ingredients:**

3 tablespoons olive oil, plus more to oil the grill grate  
4 6-ounce boneless, skinless chicken breasts  
1/2 teaspoon ground coriander

Kosher salt and black pepper  
Juice from one fresh lemon  
5 ounces baby arugula or baby spinach (about 6 cups)  
4 radishes, tops removed and sliced thinly  
1/2 small red onion, sliced

**Directions:**

1. Clean your grill grate of burned-on residue and heat it to high.
2. Butterfly each chicken breast by slicing it horizontally most of the way through and flipping it open like a book.
3. Place each breast between sheets of plastic wrap and pound flat until they are 1/2 inch thick.
4. Make the seasoning by mixing together the coriander, a pinch of salt, and a pinch of pepper. Season both sides of each breast.
5. Prepare the grill by oiling a paper towel and using long tongs to brush it over the grill grate quickly (watch for flare-ups).
6. Grill the chicken breasts, watching them closely, for about 2 or 3 minutes per side or until done.
7. Make salad dressing by whisking together the oil, lemon juice, a pinch of salt, and a pinch of pepper. Just before serving, toss together the arugula, radishes, and onion.
8. Serve each chicken breast topped with the fresh salad.

Recipe adapted from Charlyne Mattox | RealSimple.com<sup>12</sup>



**Avoid Penalties By Filing Small Business Retirement Plan Returns Soon**

Under an IRS special penalty relief program, small business owners still have time to file and avoid expensive late filing penalties on their retirement plans. However, the last date is June 2, 2015 and time is running out. Here's what you need to know:

- Plan administrators and sponsors can face late filing penalties of up to \$15,000 per return.
- Your plan is usually required to file Form 5500-EZ each year.
- The penalty relief program is open to small business plans like owner-spouse plans, plans of business partnerships (together, "one-participant plans") and certain foreign plans. Contact us if you would like help determining your eligibility.
- The IRS allows you to apply for relief for multiple late returns.
- The IRS does not charge a fee or require any special payments to apply for the relief program.

For more information on small business or retirement plan tax returns, see Revenue Procedure 2014-32 at IRS.gov or contact a qualified tax specialist.

Tip courtesy of IRS.gov<sup>13</sup>



### **How to Hit With a Downhill Lie**

When dealing with a downhill lie, many golfers are taught to match their shoulders to the slope of the hill. The problem with this setup is that it leaves your shoulders out of balance with the rest of your body and cramps your natural swing. This awkwardness can leave you hitting the ground with your club or pitching the ball high and short.

Next time, widen your stance and use your knees and legs to match the steepness of the hill. Though one shoulder will still be slightly lower than the other, your upper body will be much more balanced and relaxed, allowing you to have your normal tilt at address. Swing normally, following through by stepping down the hill as your swing momentum carries you forward.

Tip courtesy of Ken Green, PGA | Golf Tips Mag<sup>14</sup>



### **Be Careful With Painkillers**

It's very common for physicians to prescribe heavy-duty painkillers to adults after surgery or to treat chronic pain. However, studies show that an increased number of seniors are ending up in emergency rooms because of drug interactions with other medications they take. To reduce the risk of a bad reaction to painkillers, physicians recommend:

- Telling your physician about every medicine or supplement you take, including vitamins or over-the-counter medicines. Keep an updated list of your medications and take them to every appointment.
- Get all of your prescriptions from the same pharmacy and ask if they have a computerized system to automatically check for possible drug interactions.
- Never take more than the prescribed dosage. Speak to your doctor if you need to up your dose to manage pain.

- Speak to your physician before quitting a drug, especially if it's one you've been taking for some time.

Tip courtesy of AARP<sup>15</sup>



### **Avoid Microwaveable Popcorn**

While popcorn can be a healthy treat – it's a whole grain food that's high in fiber – as long as it's not covered in fat - the microwaveable bag is a health nightmare. Popcorn bags are coated with perfluorooctanoic acid (PFOA), a chemical compound that's been linked to cancer in lab animals and infertility in women. If you love popcorn, make it the old fashioned way in a pot on the stove or in a brown paper lunch bag in the microwave.

Tip courtesy of AARP<sup>16</sup>

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*We love being introduced!*

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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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<https://www.google.com/finance?q=INDEXDJX%3A.DJI%2CINDEXSP%3A.INX%2CINDEXNASDAQ%3A.IXIC&ei=wQxiVdmaM5S1mAHoh4BY>

<sup>2</sup> <http://www.businessinsider.com/janet-yellen-us-economic-outlook-speech-may-22-2015-5>

<sup>3</sup> <http://www.cnbc.com/id/102697540>

<sup>4</sup> <http://www.cnbc.com/id/102697540>

<sup>5</sup> <http://www.foxbusiness.com/economy-policy/2015/05/22/us-consumer-prices-soft-underlying-inflation-pushes-up-116548863/>

<sup>6</sup> <http://www.foxbusiness.com/economy-policy/2015/05/22/us-consumer-prices-soft-underlying-inflation-pushes-up-116548863/>

<sup>7</sup> <http://www.foxbusiness.com/economy-policy/2015/05/22/week-ahead-1q-gdp-revision-and-housing-data/>

<sup>8</sup> <http://www.cnbc.com/id/102698399>

<sup>9</sup> <http://www.foxbusiness.com/personal-finance/2015/05/22/memorial-day-gas-prices-touch-6-year-low/?intcmp=bigtopmarketfeatureaside>

<sup>10</sup> <http://www.marketwatch.com/story/greece-wont-meet-imf-repayments-in-june-interior-minister-says-2015-05-24>

<sup>11</sup> <http://www.cnbc.com/id/102690006>

<sup>12</sup> <http://www.realsimple.com/food-recipes/browse-all-recipes/chicken-milanese-arugula-salad>

<sup>13</sup> <http://www.irs.gov/uac/Small-Business-Retirement-Plan-Penalty-Relief-Expires-Soon>

<sup>14</sup> [https://www.youtube.com/watch?list=UUPLAYER\\_GolfTipsMag&v=MmOpLiR5kFs](https://www.youtube.com/watch?list=UUPLAYER_GolfTipsMag&v=MmOpLiR5kFs)

<sup>15</sup> <http://blog.aarp.org/2015/05/22/the-painkiller-sending-adults-55-to-the-er/>

<sup>16</sup> <http://blog.aarp.org/2012/03/22/microwave-popcorns-health-problem-its-the-bag-not-the-corn/>

