
Remember What Happened May 6, 2010?

Weekly Update – May 11, 2015

In this week's commentary, we want to draw your attention to a significant market anniversary. Five years ago, on May 6, 2010, the U.S. stock market experienced a "flash crash" when the Dow Jones Industrial Average plummeted nearly 1,000 points in minutes, erasing almost \$1 trillion in market value. The Dow immediately reversed itself and regained much of the lost ground that day. The event, caused by a large institutional trading program, was the largest single day drop in market history and caused an immediate media frenzy.¹

In the weeks after the crash, news outlets blazed with headlines like: "Mean Street: Crash — The Machines Are in Control Now" and "Was Last Week's Market Crash a Direct Attack By Financial Terrorists?"² Fear mongering by talking heads led many investors to worry that they were outclassed by big traders. A London-based trader was indicted last month for contributing to the 2010 crash by placing fraudulent orders that helped spark the selloff.³ Fortunately, the flash crash was a miniscule blip on the market radar and ended up having very little effect on most investors.

So, what have we learned in the five years since then?

Despite panics and flash crashes, financial markets are still functioning. You'll always find someone to tell you that the sky is falling and markets won't recover from some event. Though the past can't predict the future, U.S. markets have survived panics, crashes, bubbles, and crises and risen again.

Today's markets are volatile and unpredictable. Smart investors don't worry too much about what markets are doing this week, this month, or even this year. Instead, they focus on their own financial goals and create strategies that can withstand challenging market environments.

Flash crashes (or some other minor event) could happen again. Today's markets are flooded by orders generated by sophisticated trading programs and institutional investors. Though Congress acted swiftly to institute "circuit breakers" that pause trading in stocks that experience a violent swing, it's possible that another confluence of events or intermarket feedback loop could cause a similar problem in the future.⁴ Since we can't predict these "black swan" events, all we can do is build prudent strategies and carefully manage risk.

Things aren't always as bad as the media makes them out to be. The media makes money on eyeballs and shocking headlines. It's absolutely critical to both your portfolio and your mental health that you learn to tune out the noise and focus on fundamentals. One of the greatest advantages of working with financial professionals is that we keep an eye on economic and market events for you. We are also trained to take emotion out of the equation and make rational decisions in the face of market movements.

If you're ever worried about where markets are going or have questions about how events affect your financial picture, please reach out to us. While we can't predict markets, we are always available to offer reassurance and answer questions.

ECONOMIC CALENDAR:

Monday: Factory Orders

Tuesday: JOLTS, Treasury Budget

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

Thursday: Jobless Claims, PPI-FD

Friday: Empire State Mfg. Survey, Industrial Production, Consumer Sentiment, Treasury International Capital

Data as of 5/8/2015	1-Week	Since 1/1/15	1-Year	5-Year	10-Year
Standard & Poor's 500	0.37%	2.78%	12.82%	18.10%	8.07%
DOW	0.93%	2.06%	9.91%	15.05%	7.58%
NASDAQ	-0.04%	5.65%	23.50%	24.17%	15.43%
U.S. Corporate Bond Index	-0.32%	-0.57%	0.44%	1.86%	1.34%
International	0.65%	8.48%	-0.99%	6.71%	2.61%
Data as 5/8/2015	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.01%	0.08%	0.23%	1.50%	2.16%

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:

Jobs rebounded in April. U.S. job growth surged in April, and the unemployment rate dropped to a multi-year low. Tempering the good news, the March report was revised to show that just 85,000 new jobs were created.⁵

Eurozone economy grew in first quarter. Despite worries about Europe's weak growth prospects, experts believe that the Eurozone economy may have grown at a faster pace than the U.S. economy.⁶

Despite drop in sales, wholesalers increase inventories in March. Wholesalers, the firms that supply U.S. retailers, slightly increased their inventories in March in anticipation of Spring-led retail demand. Higher retail sales would spur restocking and boost their sales.⁷

Puerto Rico braces for austerity measures. Faced with financial shortfalls and \$72 billion in public debt, the U.S. territory slashed its proposed budget and requested help in finding a solution to the fiscal crisis. If a solution is not found, the Puerto Rican government could stop debt repayments.⁸



"If you have knowledge, let others light their candles at it."

– Margaret Fuller



Homemade Spiced Nuts



Want to add some tasty snacks to your cupboard? Try these delicious nuts.

Makes 2-1/2 cups of nuts

Ingredients:

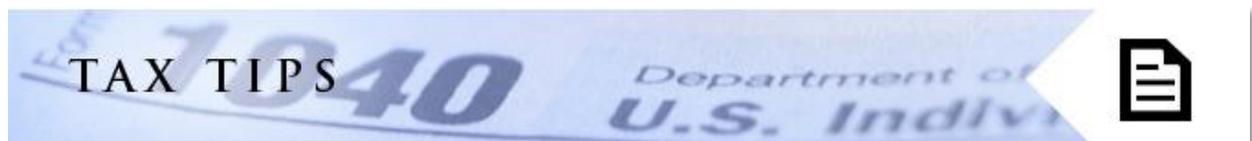
2 cups raw (unroasted) nuts

2 teaspoons paprika
1/4 teaspoon cayenne pepper
1 egg white
2 tablespoons brown sugar (omit for fewer calories)

Directions:

1. Preheat your oven to 350° F.
2. In a large bowl, beat the paprika, cayenne pepper, and sugar into the egg white until frothy and fully combined. Add the almonds and toss several times to coat them thoroughly.
3. Line a baking sheet with parchment paper. Spread the almonds in a single layer and bake for 12 to 15 minutes until the coating is dry. Start checking them at 10 minutes for doneness. They should have a roasty smell and be crunchy. Do not overbake.

Recipe adapted from Sarah Quessenberry | RealSimple.com⁹



Get A Head Start On Next Year's Taxes

Even though tax season is officially over, don't be tempted to forget about your taxes once you've filed. By preparing ahead for next year's taxes, you can save time and avoid unpleasant tax-time surprises. Here are some tips:

- **Take action when life events occur.** If you get married, have a child, or experience another major life change, think ahead about how that will affect your tax picture. You may need to change your marital status or change your tax withholding.
- **Get your records organized.** Put your 2014 tax return and supporting documents in a safe place in case you need to refer to them. Make sure that you add any new documents like 1099s and W-2s to them as you receive them. Keeping everything in one place will save you time next year.
- **Think about tax-smart strategies.** Speak to a tax expert about how you can incorporate tax-savvy financial strategies to potentially reduce your tax burden this year.

Tip courtesy of IRS.gov¹⁰



Master The One-Handed Chip

If you ever find yourself in an awkward position where you can't hit a standard chip – like if your ball lands next to a tree – a solid one-handed chip is a useful tool in your toolbox. How do you do it? Set up with your back toward your target and the ball next to the heel of your right foot. Turn the face of the club inward toward your leg and grip the club in your right hand. Keeping your arm still and your eyes on the ball, hinge your wrist and hit the ball from underneath, following through by swinging your arm behind you.

Tip courtesy of AJ Avoli | Golf Tips Mag¹¹



Getting Older? Avoid Pain and Strains.

As we age, everything seems to hurt a little more. Often, pain is the result of doing too much, too fast, or too often. Ward off common strains and pain with some preventative maintenance:

- Strengthen your core muscles to reduce lower back pain.
- Reduce knee pain by strengthening your leg and stabilizing muscles.
- Build shoulder mobility with rotator cuff exercises.
- Avoid remaining seated for too long and take stretching breaks often.

Take just a few minutes a day to build greater flexibility and strength can pay major dividends down the line. Consult an experienced trainer or physical therapist to create a customized daily routine.

Tip courtesy of AARP¹²



Try A Natural Weed Killer

If annoying weeds are cramping your gardening style, don't reach for a chemical weed killer. Commercial weed killers contain nasty chemicals that can contaminate groundwater and harm local animals. Try making a natural alternative with two common household ingredients.

Mix a bottle of white vinegar with a squirt of liquid dishwashing soap. Pour it into a spray bottle and spritz the weeds over several days. Reapply as necessary and watch weeds disappear without the chemical residue.

Tip courtesy of Prevention¹³

Share the Wealth of Knowledge!

*Please share this market update with family, friends, or colleagues.
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.

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://money.cnn.com/2010/10/01/markets/SEC_CFTC_flash_crash/

² <http://blogs.wsj.com/deals/2010/05/06/mean-street-crash-the-machines-are-in-control-now/>,
http://www.alternet.org/story/146793/was_last_week's_market_crash_a_direct_attack_by_financial_terrorists

³ <http://www.usatoday.com/story/money/markets/2015/05/06/uk-flash-crash-trader-navinder-singh-sarao/70881770/>

⁴ http://money.cnn.com/2010/06/10/markets/SEC_circuit_breakers_rules/index.htm?postversion=2010061013

⁵ <http://www.foxbusiness.com/markets/2015/05/08/traders-cautious-ahead-april-jobs-report/>

⁶ <http://www.cnn.com/id/102665345>

⁷ <http://www.foxbusiness.com/markets/2015/05/08/us-wholesale-stockpiles-up-slight-01-percent-in-march-despite-eighth-straight/>

⁸ <http://www.foxbusiness.com/markets/2015/05/08/puerto-rico-braces-for-austere-budget-amid-warnings-financial-shortfall/>

⁹ <http://www.realsimple.com/food-recipes/browse-all-recipes/sweet-spicy-nuts>

¹⁰ <http://www.irs.gov/uac/Start-Planning-Now-for-Next-Years-Taxes>

¹¹ <https://www.youtube.com/watch?v=Yr1b5c5bYO4>

¹² <http://www.aarp.org/health/conditions-treatments/info-2015/exercises-to-prevent-injuries.html>

¹³ <http://www.prevention.com/health/healthy-living/70-easy-ways-green-your-life/create-natural-weed-killer>