
Quarterly Update: Markets Lose Ground on Greek Default

Weekly Update – July 6, 2015

Markets lost ground again last week after Greece technically defaulted on loan payments and edged closer to an exit from the Euro. For the week, the S&P 500 dropped 1.29%, the Dow lost 1.24%, and the NASDAQ fell 1.92%.¹

What contributed to market performance last quarter?

Ongoing issues in Greece occupied a lot of headlines last quarter. Greece, which has struggled with debt and recession for years, has been in a standoff with its European creditors for weeks with no resolution in sight. U.S. investors responded to the turmoil with nervousness, worried about the possibility of financial contagion spreading from Europe to the U.S. Though Greece has technically defaulted on its debt obligations, we believe that financial markets are prepared for additional Greek drama and reactions will hopefully be short-lived.

Continued improvement in the labor market was a source of more positive investor sentiment last quarter. The June jobs report showed that the unemployment rate declined again to 5.3% and that the economy added 223,000 new jobs last month, bringing the total number of jobs created in the first half of the year to just over 1 million.²

While the labor market is clearly making strides, it's becoming clear that this is not your father's recovery. Many available jobs are part-time only, wages are sluggish, and the workforce is smaller than it used to be, partly because of the vast numbers of Boomers heading into retirement.³

On the positive side, the tepid report probably doesn't give Fed chair Janet Yellen the "decisive evidence" of a jobs recovery she says she wants to see before raising interest rates this year.⁴ The Fed spent most of the first half of 2015 emphasizing that it's going to eventually have to raise interest rates to fight off inflation. Fortunately, Fed statements have repeatedly stressed the central bank's intention to take a slow, cautious approach to rate hikes. Will we see a rate increase this year? Possibly. Most Wall Street experts seem to think that a September hike is in store.⁵

What can we expect in the weeks ahead?

Greece will be on investors' minds in the coming weeks as European leaders seek a resolution to the debt-ridden country's financial crisis. However, some analysts don't

believe that a default will necessarily lead to an exit from the Euro. However the situation is resolved, we don't expect U.S. financial markets to experience more than a short-term pullback; in fact, stocks might head higher due to a 'flight to quality' effect as investors seek alternatives outside of Europe.⁶

Investors will also be eagerly waiting for the first estimate of last quarter's economic growth. After the dismal first quarter, in which economic growth ground to a halt, investors have pinned their hopes on a second quarter resurgence. Estimates of Q2 Gross Domestic Product growth are ranging between 2.0%-3.3%, showing that there are a lot of opinions out there on how the economy is doing.⁷

What will earnings season bring?

By the trickle of earnings that we've seen so far, we can see that investors are being very unforgiving of low performers. Their attitude makes sense in light of how high markets have been running. Going forward, we want you to keep a couple of things in mind:

- 1) Many of the challenges facing U.S. companies in the first quarter are still present. Slow demand, a strong dollar, lagging oil prices, and confusion in Europe may all drag on earnings and revenue.⁸
- 2) The Energy sector, which pushed aggregate earnings down, is still expected to underperform. Excluding energy companies, overall S&P 500 earnings are projected to be flat.⁹ So, the good news is that many U.S. companies are holding their own in a challenging environment.

Could we see a pullback in the days and weeks ahead? Possibly. Is it the end of the world? Absolutely not. While it's impossible to predict how markets are going to react to earnings season, Greece, or any other potential headwind, we want to emphasize that market corrections are a natural and expected phenomenon in today's world; while it's stressful to watch portfolio values fluctuate, pullbacks offer a good opportunity to review strategies and think about your personal goals. We also specialize in creating strategies that help mitigate volatility and work to take advantage of market movements.

ECONOMIC CALENDAR:

Monday: ISM Non-Mfg. Index

Tuesday: International Trade, JOLTS

Wednesday: EIA Petroleum Status Report, FOMC Minutes

Thursday: Jobless Claims

Friday: Janet Yellen Speaks 12:00 PM ET

Data as of 7/3/2015	1-Week	Since 1/1/15	1-Year	5-Year	10-Year
Standard & Poor's 500	-1.29%	0.87%	5.01%	20.62%	7.01%
DOW	-1.24%	-0.52%	4.15%	16.61%	6.91%
NASDAQ	-1.92%	5.77%	12.53%	27.89%	13.28%
U.S. Corporate Bond Index	0.31%	-2.89%	-1.44%	1.18%	0.75%
International	-2.65%	6.98%	-3.28%	6.56%	2.55%
Data as 7/3/2015					
Treasury Yields (CMT)	0.01%	0.10%	0.26%	1.64%	2.40%

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:

Greeks vote “No” on bailout. Greek voters rejected the historic bailout referendum, refusing to give in to pressure to accept further austerity cuts. The result paves the way for negotiators to try and get a better deal from European creditors.

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China slips into bear market. The Shanghai Composite Index closed over 20% lower than its June 12 high, officially putting Chinese stocks in a bear market. Some analysts believe that China’s correction is unremarkable given the country’s economic struggles.¹¹

Pending home sales reach multi-year high. The number of houses under contract rose to the highest level in over nine years in May, indicating that homebuyers may be taking advantage of a reprieve on higher interest rates.¹²

Consumer confidence rises more than expected in June. A gauge of how optimistic Americans feel about their economic prospects soared last month, stoking hopes that spending may boost economic growth.¹³



“You can never cross the ocean until you have the courage to lose sight of the shore.”

- Christopher Columbus

Seared Salmon With Warm Lentil Salad



Salmon is full of heart-healthy omega fatty acids.

Serves 4

Ingredients:

- 1 cup green lentils, rinsed thoroughly
- Kosher salt and black pepper
- 2 tablespoons plus 1 teaspoon extra virgin olive oil
- 1 1/4 pounds skinless salmon filet, cut into 4 pieces
- 2 tablespoons red or white wine vinegar
- 2 teaspoons Dijon or other mustard
- 1/4 red onion, minced
- 1/2 cup fresh flat-leaf parsley, rinsed thoroughly and chopped
- 1 bunch arugula or baby spinach, torn (about 4 cups)
- 1 fresh lemon, cut into wedges

Directions:

1. Bring 4 cups of water and one teaspoon of salt to a boil in a medium pot. Add the green lentils and simmer, covered. Cook for about 20 to 25 minutes until tender, stirring occasionally. Drain the lentils and set aside.
2. While the lentils are cooking, heat a heavy-bottomed pan or skillet over medium-high heat with one teaspoon of the olive oil. Season the salmon with a pinch of salt and pepper and place in the pan. Push the filets down lightly with your fingers to get a good sear. Cook the salmon for about 4 to 5 minutes per side until cooked through.
3. Make your vinaigrette by whisking together the vinegar, Dijon mustard, onion, parsley, and remaining olive oil. Add salt and pepper to taste.

4. Just before serving, mix the lentils, greens, and vinaigrette and toss to coat thoroughly. Divide the salad between plates and top with the salmon. Serve the lemon wedges alongside.

Recipe adapted from Sara Quessenberry | RealSimple.com¹⁴



Unexpected Tax Bill?

If you get a tax bill from the IRS this summer, don't ignore it. The longer you wait, the more you'll owe in interest and penalties. Here's what you should do:

- Check the due date and reply to the notice promptly.
- If you agree with the findings, pay the full amount online or set up a payment plan to pay the tax bill in installments.
- If you're not sure you can pay the full amount that you owe, speak to a qualified tax expert or attorney about making an Offer In Compromise that may allow you to settle your debt to the IRS for less than you owe.
- If you don't believe that your tax bill is correct, speak to a qualified tax professional about filing an appeal.

Tip courtesy of IRS.gov¹⁵



Is Your Clubface Alignment Out Of Whack?

A common mistake that amateur golfers make is a failure to correctly align the clubface when setting up a shot. Should you point your feet at the target? Get your shoulders parallel? How about aligning your whole body with the target? Nope.

PGA pros are trained to assess the target from behind the ball, giving them a good view of the entire terrain, lie, and any hazards they need to avoid. Then, they align the face of the club directly toward the target before setting up the stance. The next time you're setting up for a shot, try to get your clubface aligned before you set up the rest of your stance. You might see it make a difference.

Tip courtesy of Barry Goldstein | Golf Tips Mag¹⁶



Travel Safely

Getting sick or injured while traveling can be annoying, expensive, and possibly dangerous. Tilt the odds in your favor with these travel tips:

- Get a pre-travel checkup with your doctor to make sure that you're on top of any health issues before you leave. Update any prescriptions or health routines before you leave.
- Print out your medical history, including conditions, prescriptions, allergies, and contact numbers, and bring it with you on your trip. Bring a backup copy on a small flash drive.
- Consider purchasing travel insurance that covers medical care abroad.
- Educate yourself about health advisories and other safety issues in your destination.

Tip courtesy of AARP¹⁷

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://finance.yahoo.com/echarts?s=%5EGSPC+Interactive#{"range":"5d","allowChartStacking":true}](http://finance.yahoo.com/echarts?s=%5EGSPC+Interactive#{)

² Analysis of Bureau of Labor Statistics Data January 2015-June 2015

<https://research.stlouisfed.org/fred2/series/PAYEMS/#>

³ <http://www.foxbusiness.com/markets/2015/07/03/smaller-workforce-more-part-timers-job-market-unlikely-to-return-to-former/>

⁴ <http://www.businessinsider.com/r-analysis-for-fed-a-muddled-jobs-report-even-as-us-employment-continues-to-expand-2015-7>

⁵ <http://projects.wsj.com/econforecast/#qa=20150601000> (Accessed July 5, 2015)

⁶ <http://www.businessinsider.com/closing-bell-june-29-2015-6>

⁷ <https://www.frbatlanta.org/cqer/research/gdpnow.aspx> (Accessed July 5, 2015)

⁸ <http://www.zacks.com/commentary/49027/handicapping-the-q2-earnings-season>

⁹ <http://www.zacks.com/commentary/49027/handicapping-the-q2-earnings-season>

¹⁰ <http://www.foxnews.com/world/2015/07/06/greece-enters-uncharted-territory-after-referendum-no-vote/>

¹¹ <http://www.businessinsider.com/closing-bell-june-29-2015-6>

¹² <http://www.foxbusiness.com/markets/2015/06/29/pending-home-sales-rise-to-over-nine-year-high-in-may/>

¹³ <http://www.foxbusiness.com/economy-policy/2015/06/30/consumer-confidence-jumps-past-expectations-in-june/>

¹⁴ <http://www.realsimple.com/food-recipes/browse-all-recipes/salmon-with-warm-lentil-salad-recipe>

¹⁵ <http://www.irs.gov/uac/Six-Tips-to-Help-You-Pay-Your-Tax-Bill-this-Summer>

¹⁶ <http://www.golftipsmag.com/instruction/shotmaking/quick-tips/8-tricks-to-become-a-better-player.html>

¹⁷ <http://blog.aarp.org/2015/06/19/planning-a-trip-6-tips-to-avoid-health-problems/>