



Markets Drop on Global Growth Worries

Weekly Update – July 27, 2015

Stocks were unable to maintain the momentum and gave up ground in another roller coaster week. Though earnings week marched onward, investors seemed more concerned about global growth and falling commodity prices. For the week, the S&P 500 fell 2.20%, the Dow dropped 2.85%, and the NASDAQ lost 2.31%.¹

Falling commodity prices contributed to a lot of last week's selloff as investors worried that plummeting gold, copper, and silver prices meant slowing global economic demand. Commodity prices were hit hard by new data out of China that shows manufacturing activity is at a 15-month low. The Asian giant is the world's largest consumer of industrial metals, and commodity traders worry that falling demand could lead to a glut in metal supplies.²

Are fears about China overblown? Possibly. Between the recent stock selloff in China and fresh concerns about a hard landing for the Chinese economy, it might seem that the global bull market might be ending. However, let's take a step back and take a look at the big picture. While the Chinese economy is the second largest in the world and could certainly disrupt global growth, the size (and structure) of its stock market means that volatility there isn't likely to affect U.S. equities. In fact, Chinese stocks had already experienced two bear markets since 2009 – neither of which seriously affected our domestic bull market. China's central bank is also taking an active role in boosting economic growth.³ All that being said, the past can't predict the future, and we're keeping a close eye on what's happening overseas. While we do see some headwinds and potential threats on the horizon, we still believe in a globally diversified portfolio strategy.

On the domestic front, earnings season continued last week and the picture thus far is uninspiring. As of July 22nd, we have gotten results from 103 S&P 500 members and total earnings are up just 3.0% on 1.2% higher revenues than the same period last year. Fortunately, not everything is bleak. Multiple sectors have seen success stories, and overall earnings are being dragged down by the beleaguered Energy sector.⁴ Are these results unexpected? Not at all. Much of the weakness was anticipated, and analysts are hopeful that growth will pick up in 2016.⁵ However, the tepid earnings picture leaves many investors wondering if the Federal Reserve will see enough growth this year to raise rates.

Attention will turn to the Fed's Open Market Committee when it meets next week, and though we don't expect any decisions about interest rates to be made, we hope that the

Fed will give us some insight into what they think about recent global growth worries. Earnings season will continue, and we'll also get another look at second quarter economic growth, which is expected to rise slightly.⁶

ECONOMIC CALENDAR:

Monday: Durable Goods Orders, Dallas Fed Mfg. Survey

Tuesday: S&P Case-Shiller HPI, Consumer Confidence

Wednesday: Pending Home Sales Index, EIA Petroleum Status Report, FOMC Meeting Announcement

Thursday: GDP, Jobless Claims

Friday: Employment Cost Index, Chicago PMI, Consumer Sentiment

Data as of 7/24/2015	1-Week	Since 1/1/15	1-Year	5-Year	10-Year
Standard & Poor's 500	-2.20%	1.01%	4.61%	17.72%	6.86%
DOW	-2.85%	-1.43%	2.84%	13.71%	6.49%
NASDAQ	-2.31%	7.44%	13.79%	24.84%	13.35%
U.S. Corporate Bond Index	0.19%	-2.67%	-1.91%	1.03%	0.87%
International	-1.51%	4.85%	-5.50%	5.07%	2.17%
Data as 7/24/2015					
Treasury Yields (CMT)	0.04%	0.14%	0.32%	1.64%	2.27%

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:

New home sales drop in June. Sales of newly built homes unexpectedly fell last month to the lowest level in seven months. Since data last week showed that new permits are up, analysts hope the setback is temporary.⁷

Existing home sales skyrocket in June. Resales soared last month on pent-up demand to their highest level in nearly 8-1/2 years. Analysts hope that the housing market will keep its momentum ahead of possible interest rate increases.⁸

Jobless claims drop to lowest level since 1973. The number of Americans filing new claims for jobless benefits plummeted last week to a multi-decade low, suggesting that hiring remains solid despite summer volatility.⁹

Greek cash limits unlikely to go away soon. Greek banks will likely maintain cash withdrawal limits (currently about \$460 per week) until fresh money arrives from Europe, worsening the crisis for Greeks. Questions about how to restructure banks may hold up bailout negotiations.

QUOTE OF THE WEEK



“True prosperity is the result of well placed confidence in ourselves and our fellow man.”

– Benjamin Burt

RECIPE OF THE WEEK



Slow Cooker BBQ Pork Sandwiches



Don't have a smoker? Get amazing shredded pork with this easy recipe.

Serves 6

Ingredients:

2 pounds boneless pork shoulder or butt, trimmed of excess external fat
1/4 cup packed brown sugar
1 teaspoon chili powder
1 garlic clove, chopped
Kosher salt and black pepper
1/2 cup cider vinegar
6 soft sandwich rolls
Sweet pickles

Directions:

1. Combine the brown sugar, chili powder, a pinch of salt, and a pinch of pepper. Rub the pork shoulder with mixture.
2. Place the pork in a slow cooker with the cider vinegar and 1/2 cup of water.
3. Cover the pot and cook for 4-5 hours on high or 7-8 hours on low. Use a meat thermometer to test for doneness. To shred well, the pork should finish above 190° F.
4. Shred the pork and mix with 1-2 cups of BBQ sauce. Serve on the sandwich rolls topped with sweet pickles.

BBQ Sauce:

Makes approximately 2-1/2 cups

- 1-1/2 cup ketchup
- 3/4 cup apple cider vinegar
- 3/4 cup Worcestershire sauce
- 1 cup water
- 1-1/2 cup brown sugar (use just 1 cup for a less-sweet sauce)
- 1 teaspoon red pepper flakes (omit for less spice)
- 1 tablespoon kosher salt
- 2 teaspoons ground black pepper
- 1/4 cup chili powder
- 2 tablespoons sweet paprika
- 2 tablespoons liquid smoke

Directions:

Whisk together all the ingredients in a saucepan over medium heat. Simmer the sauce for about 30 minutes and taste for salt and sweetness. Add more salt or more sugar as needed. Allow the sauce to cool before serving.

Recipe adapted from Caroline Wright | RealSimple.com¹⁰

**Tax Tips About Hobbies**

If your hobby helps you earn money on the side, you may owe taxes on what you earn. For example, Ebaying, coin collecting, stamp collecting, antiquing, and many other pursuits can often bring in some extra cash. The IRS requires you to report all income on your taxes, but the rules on deductions and income depend on whether it's a hobby or a business. Here's what the IRS says:

- The simplest way to determine whether your hobby is a business or not is to think about whether you do it to make a profit and whether you depend on the income. Consult a qualified tax professional if you have questions.
- You can generally deduct accepted expenses for your hobby, such as the cost of stamps or supplies. However, you can only deduct expenses up to the limit of the income earned by the hobby.
- To claim deductions, you must itemize them and report them on Schedule A of your tax return. Since special rules apply, it's a good idea to consult a qualified tax expert.

For information on how to itemize your hobby deductions, consult a tax expert or read Publication 535, Business Expenses on IRS.gov.

Tip courtesy of IRS.gov¹¹



Beat the Bunker With a Recoil Shot

Normally, a bunker shot requires you to close the clubface, hit underneath, and take a lot of sand along with the ball. However, that bunker technique will give the ball a lot of topspin, which is a problem if you have a short shot or steep downhill lie out of the bunker. If you're dealing with a short pin, try this alternate bunker shot:

Set up as normal with the ball in the middle of your stance. Keep the clubface open and prepare to come in steeply at the ball. However, at the moment of impact, instead of following through with your club, recoil immediately, bringing the club back to your shoulder. This motion should bring the ball out more steeply and with less topspin, keeping the ball from overshooting the target.

Tip courtesy of John Paupore, PGA | Golf Tips Mag¹²



Research Shows Exercise May Help Slow Effects of Dementia

Doctors have long known that exercise is an excellent way to help keep our brains healthy as we age. However, recent research suggests that regular, sustained exercise

may help slow down or even reverse the physical changes that can lead to dementia or Alzheimer's. Here's what scientists found:

- One study found that exercising for 45 minutes at 75-85% of participants' maximum heart rate four times a week for six months improved memory function by 15% and increased blood flow to areas of the brain weakened by cognitive impairment.
- Another study found that participants who exercised for 60 minutes three times a week for four months at 70% of their maximum heart rate saw improvements in mental speed as well as reduced anxiety and depression.

What's the takeaway? If you're sedentary, see your physician about beginning an exercise program that will help you introduce regular, sustained exercise into your lifestyle.

Tip courtesy of AARP¹³



Go Organic for Less

Many of us would like to add more organic meats and produce to our diets but are turned off by the hefty price tag. Fortunately, as more Americans have started seeking out organic products, many grocery chains have introduced house brand organic lines. On your next shopping trip, ask an employee to point out any in-house organic products. However, don't confuse organic with the many sound-alike marketing labels that are not as strictly regulated. Learn more about specific labels from Consumer Reports "Greener Choices" at www.greenerchoices.org/eco-labels/.

- "Organic" is a regulated label that means the product was raised or grown according to federal guidelines.
- "All Natural" is loosely regulated and does not mean the same thing as organic.
- "Free Range" is also loosely regulated and does not always mean that chickens, cows, or pigs were allowed to roam freely.
- "Cruelty free" has no set standards.

Tip courtesy of AARP & USDA¹⁴

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 <https://goo.gl/vFCeR8>, <http://i.imgur.com/Ox1Ma1t.png>

² <http://www.businessinsider.com/why-blame-china-for-low-commodity-prices-2015-7>

³ <http://www.zacksim.com/mitch-zacks-commentary-individual-investors/item/526-the-great-fall-of-china>

⁴ <http://www.zacks.com/commentary/51730/an-uninspiring-earnings-picture>

⁵ <http://www.zacks.com/commentary/51730/an-uninspiring-earnings-picture>

⁶ <http://www.foxbusiness.com/economy-policy/2015/07/24/week-ahead-fomc-meeting-gdp-and-more-earnings/?intcmp=bigtopmarketfeatures>

⁷ <http://www.foxbusiness.com/economy-policy/2015/07/24/new-home-sales-unexpectedly-drop-to-seven-month-low-in-june/>

⁸ <http://www.foxbusiness.com/economy-policy/2015/07/22/existing-home-sales-soar-in-june-surpass-views/>

⁹ <http://www.foxbusiness.com/economy-policy/2015/07/23/weekly-jobless-claims-lowest-since-173/?intcmp=trending>

¹⁰ <http://www.realsimple.com/food-recipes/browse-all-recipes/barbecue-pork-sandwiches-0>

¹¹ <http://www.irs.gov/uac/Five-Tax-Tips-about-Hobbies-that-Earn-Income1>

¹² https://www.youtube.com/watch?list=UUPLAYER_GolfTipsMag&t=12&v=zPrKrn6S9jY

¹³ <http://blog.aarp.org/2015/07/24/how-exercise-affects-the-brain-and-improves-memory-loss/>

¹⁴ <http://blog.aarp.org/2012/03/13/organic-natural-what-do-eco-labels-really-mean/>,
<http://blogs.usda.gov/2012/03/22/organic-101-what-the-usda-organic-label-means/>