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## Jobs Report Gives Fed Green Light for December Rate Hike

Weekly Update – December 7, 2015

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Markets shrugged off a volatile week Friday to close positive, buoyed by a strong jobs report and an easing of uncertainty around the Federal Reserve's next interest rate decision. For the week, the S&P 500 grew 0.08%, the Dow gained 0.28%, and the NASDAQ added 0.29%.<sup>1</sup>

Stocks surged late last week after a strong November jobs report gave investors renewed confidence in the economy. Data shows that the economy gained 211,000 jobs in November, beating the forecast of 200,000. More importantly, the October report was revised upward, giving us back-to-back months of strong labor market growth.<sup>2</sup> The unemployment rate remained flat at 5.0%, while wages increased by 2.3% from a year ago.<sup>3</sup> Digging deeper into the data, we see that jobs were created in multiple sectors of the economy, supporting broad-based growth.<sup>4</sup> The upbeat report may give the Fed what it needs to go ahead with interest rate increases in the coming months.

Fed chair Janet Yellen also signaled her readiness to raise interest rates in speeches last week. She told Congress that gradual rate hikes are likely to begin in December as long as there are no major shocks that might undermine confidence in the economy. She also warned that waiting too long to raise rates might force the Fed into tightening monetary policy quickly to avoid overheating the economy.<sup>5</sup>

However, the news overseas is not so rosy. Markets slid on Thursday when investors here and abroad reacted badly to the European Central Bank's new stimulus plans. Investors felt that the ECB's plans were too little, too late, and they responded by selling.<sup>6</sup> In China, economic sentiment remains cautious as additional data shows that demand is still weakening and further risks to growth exist.<sup>7</sup>

**Bottom line:** The jobs report and other domestic data may give the Fed the boost it needs to raise interest rates at the mid-December Open Market Committee meeting. Weighing on the other side are ongoing concerns about global growth; however, as long as nothing major happens between now and the December meeting, the odds seem to favor an interest rate increase.

Looking at the week ahead, investors will be poring over November retail sales data, consumer sentiment, and inflation reports ahead of the Fed's meeting on the 15<sup>th</sup> and 16<sup>th</sup>. Positive news would likely fuel additional speculation about a December rate hike.<sup>8</sup>

Right now, markets appear to have a somewhat unhealthy codependence on central banks. As decoupling between the U.S. and the rest of the world continues, we can expect a seesaw of emotions to drive additional volatility. At the moment, a solid jobs report is being viewed favorably by investors because it takes away some of the uncertainty around interest rate hikes. However, sentiment could sour quickly when some other headline changes the odds. On top of the standard end-of-year shuffling of portfolios, we're expecting the next couple of weeks to be volatile.

## ECONOMIC CALENDAR:

**Tuesday:** JOLTS

**Wednesday:** EIA Petroleum Status Report

**Thursday:** Jobless Claims, Import and Export Prices. Treasury Budget

**Friday:** PPI-FD, Retail Sales, Business Inventories, Consumer Sentiment

Data as of 12/4/2015	1-Week	Since 1/1/15	1-Year	5-Year	10-Year
Standard & Poor's 500	0.08%	1.59%	0.95%	14.16%	6.53%
DOW	0.28%	0.14%	-0.29%	11.36%	6.41%
NASDAQ	0.29%	8.58%	7.82%	19.69%	12.62%
U.S. Corporate Bond Index	-0.25%	-3.07%	-2.45%	0.99%	1.23%
International	-0.82%	-2.43%	-5.39%	1.37%	0.59%
Data as of 12/4/2015					
Treasury Yields (CMT)	0.13%	0.38%	0.50%	1.64%	2.22%

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:

**Holiday deal-making drives auto sales.** Black Friday and early holiday shopping propelled November motor vehicle sales to the biggest month in 14 years.<sup>9</sup>

**Beige book shows economic activity expanding.** A Federal Reserve report of anecdotal business activity shows that the economy expanded moderately between October and November.<sup>10</sup>

**OPEC votes to maintain production.** Even as rig counts are falling under the weight of cheap oil, the important Organization of the Petroleum Exporting Countries (OPEC) organization voted to keep producing high volumes of oil to maintain market share.<sup>11</sup>

**Manufacturing report suggests gloom.** A measure of manufacturing activity in the key Chicago area shows that a strong dollar, slowing global growth, and other factors

may foretell weakness in the manufacturing sector.<sup>12</sup>

## QUOTE OF THE WEEK



*"Do not hold the delusion that your advancement is accomplished by crushing others."  
– Cicero*

## RECIPE OF THE WEEK



### Slow Cooker Pot Roast



*Come home to a classic pot roast using your slow cooker.*

Serves 6

#### **Ingredients:**

1/4 cup tomato paste  
1 tablespoon Worcestershire sauce  
1 pound baby carrots  
1 pound baby potatoes (about 15)  
1 medium onion, cut into 1/2-inch wedges (leave the root intact at the end)  
2 stalks celery, washed and cut into 1-inch pieces  
2 bay leaves  
1 3-pound beef chuck roast, fat trimmed from the ends  
Kosher salt and black pepper

#### **Directions:**

1. Turn your slow cooker on high. Add the tomato paste and Worcestershire sauce and whisk in one cup of water. Add the vegetables and stir them to coat in the sauce. Lay the roast on top and sprinkle with a pinch of pepper and a pinch of salt.
2. Cover and cook on high for 4-6 hours or on low for 7-8 hours. If you prefer your meat to be shreddable, cook for longer. Let the meat rest for 10 minutes before slicing across the grain to serve. Taste the meat and sauce for seasoning and add more salt or pepper as needed. Serve the sliced roast on top of the vegetables, topped with sauce.

Recipe adapted from Sarah Copeland | RealSimple.com<sup>13</sup>



### Year-End Reminders from the IRS

As we get close to the end of the year, the IRS has a few reminders to help you avoid mistakes:

- Avoid excess contributions. If you contribute more than the 2015 limit to your individual retirement accounts, you will be subject to a 6% tax on the excess amount for each year that the excess remains in your account. You can withdraw any excess (without penalty) by the due date of your 2015 tax return.
- Take your required distribution. If you are at least age 70-1/2, you must take a required minimum distribution (RMD) from your Traditional IRA, normally by December 31 each year. However, if you turned 70-1/2 in 2015, you have until April 1, 2016. You face a 50% excise tax on the RMD amounts you fail to take.

For more information on excess contributions, RMDs, and other year-end tax issues, please contact a qualified tax expert.

Tip courtesy of IRS.gov<sup>14</sup>



### Train Your Grip with Toothpaste

Keeping consistent, light pressure on the club is something that many amateurs struggle with. You want the pressure in your hand to stay constant from all the way through the rest of the swing. One way to keep yourself from holding the club in a death grip is to do the toothpaste check. Grip a tube of toothpaste the way you would normally

grip the club. Set up for a shot and swing. If you squirt out just a tiny amount from the tube, your grip is on target. If you make a mess with the toothpaste, your grip is too strong.

Another mistake many golfers make is to lose contact with the left palm during the backswing, causing them to lose control. Keep consistent contact with the fingers of your right hand to avoid losing your grip.

Tip courtesy of Randy Chang | Golf Tips Mag<sup>15</sup>



### Ask Your Doctor About Videoconferencing Technology

If you live far away from a physician or specialist, getting to every appointment can become a chore or make it less likely that you'll seek care. If your appointment doesn't require a physical examination, it may be possible to have it done through a videoconferencing system. Ask your physician about whether they have plans to leverage technology to help patients keep in contact more efficiently.

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



### Make Some Green Resolutions

If you're interested in making your lifestyle greener and more sustainable, try committing to a few changes at a time. Focus on keeping your green resolutions and making consistent progress rather than overhauling your entire lifestyle. Here are a few simple changes to incorporate in your lifestyle:

- **Eat more local and organic foods.** Start shifting your diet to more sustainable foods by shopping locally, subscribing to a Community Supported Agriculture (CSA) program during the growing season, and eating more seasonally-appropriate foods.
- **Audit your electricity usage.** To lower your household's carbon footprint, take a look at how you use energy. Can you raise or lower the thermostat a few degrees each season to lower the bill? Can you switch to cold-water washes?
- **Make a "green strategy" for your house.** Make a wish list of efficient appliances, home modifications, and other costly changes that you'd like to have.

Incorporating them into your maintenance and purchase schedule can help ease the financial cost.

Tip courtesy of Seattle PI<sup>17</sup>

***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.

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Consult your financial professional before making any investment decision.

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<sup>1</sup> <http://finance.yahoo.com/q/hp?s=%5EGSPC&a=10&b=30&c=2015&d=11&e=4&f=2015&g=d>

<http://finance.yahoo.com/q/hp?a=10&b=30&c=2015&d=11&e=4&f=2015&g=d&s=%5EDJI%2C+&q=1>

<http://finance.yahoo.com/q/hp?a=10&b=30&c=2015&d=11&e=4&f=2015&g=d&s=%5EIXIC%2C+&q=1>

<http://finance.yahoo.com/q/hp?a=10&b=23&c=2015&d=10&e=27&f=2015&g=d&s=%5EDJI%2C+&q=1>

<http://finance.yahoo.com/q/hp?a=10&b=23&c=2015&d=10&e=27&f=2015&g=d&s=%5EIXIC%2C+&q=1>

<sup>2</sup> <http://www.ft.com/fastft/436001/us-october-jobs-tally-revised-up-298000>

<sup>3</sup> <http://blogs.barrons.com/stockstowatchtoday/2015/12/04/good-enough-stocks-pop-as-payrolls-suggest-imminent-rate-hike/>

<sup>4</sup> <http://www.bls.gov/news.release/empsit.nr0.htm>

<sup>5</sup> <http://www.bloomberg.com/news/articles/2015-12-02/yellen-signals-confidence-in-economy-ahead-of-fed-rate-decision>

<sup>6</sup> <http://www.usatoday.com/story/money/markets/2015/12/03/stocks-set-rebound-ecb-rate-decision-looms/76711922/>

<sup>7</sup> <http://www.cnbc.com/2015/12/03/asian-stocks-expected-to-open-lower-as-ecb-decision-fed-comments-disappoint-investors.html>

<sup>8</sup> <http://www.foxbusiness.com/economy-policy/2015/12/04/week-ahead-inflation-retail-sales-and-consumer-sentiment/>

<sup>9</sup> <http://www.foxbusiness.com/industries/2015/12/01/fiat-chrysler-november-sales-rose-xx/>

<sup>10</sup> <http://www.foxbusiness.com/economy-policy/2015/12/02/federal-reserve-beige-book/>

<sup>11</sup> <http://www.cnbc.com/2015/12/03/us-crude-climbs-on-weaker-dollar-ahead-of-opec-meeting.html>

<sup>12</sup> <http://www.marketwatch.com/story/chicago-pmi-suggests-us-manufacturing-is-still-gloomy-2015-11-30>

<sup>13</sup> <http://www.realsimple.com/food-recipes/browse-all-recipes/pot-roast-recipe>

<sup>14</sup> <https://www.irs.gov/uac/Top-Year-End-IRA-Reminders-from-IRS>

<sup>15</sup> [https://www.youtube.com/watch?list=UUPLAYER\\_GolfTipsMag&time\\_continue=18&v=q3m4q1cQVoo](https://www.youtube.com/watch?list=UUPLAYER_GolfTipsMag&time_continue=18&v=q3m4q1cQVoo)

<sup>16</sup> <http://www.aarp.org/health/conditions-treatments/info-2015/high-tech-ways-to-stay-healthy.html?intcmp=HEA-HLLV-FLXSLDR-SLIDE2-RL1>

<sup>17</sup> <http://www.seattlepi.com/news/article/52-tips-for-living-green-1269861.php>

