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## Stocks End Rocky Week Down

Weekly Update – January 19, 2016

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Stocks closed down again Friday ahead of the long holiday weekend after disappointing earnings, more China worries, and plunging oil prices added to fears about slowing global growth. For the week, the S&P 500 dropped 2.17%, the Dow fell 2.19%, and the NASDAQ lost 3.34%.<sup>1</sup>

It's certainly been a rough start to the year with multiple weeks of losses and several indexes pushing into 10%+ correction territory. During some market declines, a single culprit is responsible and attention can quickly shift to other issues. In this pullback, multiple factors are contributing to weakness:

**Persistent lows in oil prices** due to the combination of a supply glut and slowing global demand for oil. After plummeting for more than a year, oil prices have now hit 12-year lows below \$30/barrel.<sup>2</sup> Cheap oil is a boon to consumers who pay less at the pump, but it hits oil producers and ancillary sectors hard.

**A Chinese economy in transition** from a manufacturing and export-led high-growth period to a more stable, mature model based on services and domestic consumption.<sup>3</sup> We've never seen a hybrid economy quite like it – halfway between Communism and Capitalism – undergo such a shift. The issues at stake are serious: Can Chinese leaders usher in a new period of growth without sending the economy into recession? Can China's immature financial sector keep up? Answers will come eventually, but we can expect a lot of uncertainty along the way.

We should also keep in mind that markets have enjoyed multiple years of fairly reasonable volatility. Since volatility events tend to occur in clusters, it's not so surprising that we're seeing back-to-back events in financial markets.<sup>4</sup>

**Have stocks hit bottom?** We can't know for sure. This week, we'll probably see more poor data out of China that could continue to rattle markets.<sup>5</sup> However, it's possible that earnings season may help turn the tide. While Q4 profits are expected to be down on lower revenues, the bar may already be set so low that earnings surprises could give stocks a boost.<sup>6</sup> When negativity is already baked into stock prices, even small surprises can shift investor sentiment.

**Bottom line:** Market corrections happen. They can be stressful and can test your resolve as an investor, but they are normal and healthy. We don't know how long this correction will last or how low markets will go, but we are continually monitoring markets and will suggest prudent changes to investing strategies as necessary. If you have questions or concerns about your portfolio, please reach out to us, we'd love to hear from you.

### ECONOMIC CALENDAR:

**Monday:** U.S. Markets Closed for Martin Luther King, Jr. Holiday

**Tuesday:** Housing Market Index, Treasury International Capital

**Wednesday:** Consumer Price Index, Housing Starts,

**Thursday:** Jobless Claims, EIA Petroleum Status Report, Philadelphia Fed Business Outlook Survey

**Friday:** PMI Manufacturing Index Flash, Existing Home Sales

Data as of 1/15/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
Standard & Poor's 500	-2.17%	-8.00%	-5.64%	9.08%	4.60%
DOW	-2.19%	-8.25%	-7.69%	7.13%	4.59%
NASDAQ	-3.34%	-10.36%	-1.80%	12.58%	9.37%
U.S. Corporate Bond Index	-0.46%	0.19%	-4.92%	1.01%	1.07%
International	-2.83%	-8.80%	-10.30%	-1.51%	-1.16%
Data as 1/15/2016	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.19%	0.37%	0.49%	1.46%	2.03%

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:

**Gasoline prices drop below \$1 per gallon.** Residents in some parts of Michigan officially became the first Americans to buy gas for less than a dollar in over a decade. High oil supplies and low demand may lead to more cheap gas this year.<sup>7</sup>

**Retail sales disappoint.** December retail sales slumped unexpectedly as warmer weather cut into sales of winter gear and cheap gasoline weighed on service station business. After a 0.4% rise in November, sales dipped by 0.1% in December.<sup>8</sup>

**Consumer sentiment ticks upward.** Despite stock market pullbacks and global worries, Americans' view of the economy and their financial prospects improved slightly in January. Hopefully, that optimism will translate into more spending this quarter.<sup>9</sup>

**Business inventories fall.** U.S. businesses sold through their stockpiles rather than replenishing as sales slipped. The decline in inventories could weigh on economic growth in the fourth quarter.<sup>10</sup>



"Life's most persistent and urgent question is, 'What are you doing for others?'"  
- Martin Luther King, Jr.



## Easy Dark Chocolate Truffles



*Make these luxurious treats at home with this easy recipe.*

Makes about 24

### Ingredients:

8 ounces chopped bittersweet chocolate  
1 tablespoon unsalted butter  
½ cup heavy cream, warmed for 25 seconds in the microwave  
¼ teaspoon kosher salt  
¾ cup chocolate sprinkles

### Chef's Tip:

 Try variations on the recipe by:

Simmering 1 tablespoon of crushed cardamom pods or cinnamon stick in the cream then pouring it through a sieve before adding it to the melted chocolate.  
Adding 1 tablespoon of espresso or instant coffee powder to the chocolate and rolling the truffles in cocoa powder and sugar, coconut flakes, or crushed nuts.

### Directions:

1. Make a double boiler by boiling one inch of water in a pot and setting a metal or heatproof bowl over top, making sure the bottom doesn't come into contact with the water. Melt the chocolate chunks and butter in the bowl while stirring gently.

2. Mix in the cream and salt until fully incorporated with the melted chocolate.
3. Seal the bowl with plastic wrap and refrigerate until firm for at least 4 hours and up to 48.
4. Line a baking sheet with parchment or wax paper. Use a tablespoon or ice-cream scoop to scoop out the chocolate. Use your hands to quickly roll the chocolate into a ball and set it on the baking sheet. Dip your hands in cold water to keep them cool and prevent the truffles from melting too much in your hands.
5. Pour the sprinkles or other coating into a small bowl and roll each truffle until coated. Refrigerate them on the sheet until firm and then move them to a sealed container for up to a week.
6. Serve them at room temperature.

Recipe adapted from Samantha Seneviratne | RealSimple.com<sup>11</sup>



### **Know Your Rights with the IRS**

The IRS created the Taxpayer Bill of Rights to make it simple for taxpayers to know their rights when dealing with the IRS. If you have a tax issue, you are guaranteed assistance through the Taxpayer Advocate Service, a department whose job it is to ensure that every taxpayer is treated fairly.

For more information about the Taxpayer Bill of Rights or Taxpayer Advocate Service, read Publication 1, *"Your Rights as a Taxpayer,"* or contact a qualified tax expert.

Tip courtesy of IRS.gov<sup>12</sup>



### **Bend the Ball with Your Body**

If you find yourself close enough to an obstacle that you need to curve the ball around it, a good setup is critical to get out of trouble and cut your stroke count.

1. Start by pointing your feet, knees, and shoulders where you want the ball to start. Typically, this will be pointing slightly away from the obstacle.
2. Then, aim your clubface toward your ball target—where you want the ball to land.

3. Finally, swing along the line of your body and watch the ball curve around the obstacle and (hopefully) end up at the target. Don't try and aim the ball with your arms; instead, use the line of your body to guide the swing.

Tip courtesy of Rick Sessinghaus | Golf Tips Mag<sup>13</sup>



### **Check Before Splitting That Pill**

Prescription medication can be expensive, and savvy healthcare shoppers have learned that you can stretch pills by splitting a higher dose. However, not all pills are safe to split. Here are some tips:

- Check with your physician and pharmacist before splitting any pills.
- Look for FDA approval for splitting on the prescription insert.
- Check for scoring along the pill; usually, that means it is designed for safe splitting.
- Pills that have outer coatings or extended-release formulas typically are not safe to split.

Tip courtesy of AARP<sup>14</sup>



### **Use an Aerator to Save Water**

It's impressive how much water goes down the drain when you wash your hands, wash dishes, or use the sink. An aerator – a cheap add-on that screws on to the end of your faucet – will greatly reduce the amount of water you use for everyday tasks. Your hardware store should stock several models. For the kitchen, use one marked 2.0 GPM (gallons per minute) and for the bathroom, one marked 1.0 GPM.

Tip courtesy of Seattle PI<sup>15</sup>

### ***Share the Wealth of Knowledge!***

*Please share this market update with family, friends, or colleagues.  
We love being introduced!*

Securities, advisory services, and insurance products are offered through Investment Centers of America, Inc. (ICA), member FINRA, SIPC, a Registered Investment Advisor, and affiliated insurance agencies. ICA and iWealth are separate companies. 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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<sup>1</sup> <http://finance.yahoo.com/q/hp?s=%5EGSPC&a=00&b=8&c=2015&d=00&e=15&f=2015&g=d>

<http://finance.yahoo.com/q/hp?a=00&b=8&c=2015&d=00&e=15&f=2015&g=d&s=%5EDJI%2C+&q1=1>

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<http://finance.yahoo.com/q/hp?a=00&b=8&c=2015&d=00&e=15&f=2015&g=d&s=%5EIXIC%2C+&q|=1>

<sup>2</sup> <http://www.cnbc.com/2016/01/17/stock-futures-fall-anew-suggesting-more-weakness-in-major-markets.html>

<sup>3</sup> <http://blog-imfdirect.imf.org/2015/10/05/managing-chinas-economic-transition/>

<sup>4</sup> <http://www.proba.jussieu.fr/pageperso/ramacont/papers/clustering.pdf>

<sup>5</sup> <http://www.cnbc.com/2016/01/18/china-gdp-the-elephant-in-the-market.html>

<sup>6</sup> <http://www.zacks.com/commentary/68003/weak-earnings-backdrop-for-stocks>

<sup>7</sup> <http://abc7.com/news/price-for-gas-hit-47-cents-in-michigan-/1163995/>

<sup>8</sup> <http://www.foxbusiness.com/markets/2016/01/15/u-s-retail-sales-end-2015-with-whimper.html>

<sup>9</sup> <http://www.foxbusiness.com/markets/2016/01/15/consumer-sentiment-ticks-slightly-higher-in-january.html>

<sup>10</sup> <http://www.myfoxboston.com/news/us-business-stockpiles-and-sales-fall-in-november/21455657>

<sup>11</sup> <http://www.realsimple.com/food-recipes/browse-all-recipes/how-to-make-chocolate-truffles?iid=feat-story-2>

<sup>12</sup> <https://www.irs.gov/uac/Get-to-Know-Your-Taxpayer-Bill-of-Rights>

<sup>13</sup> [https://www.youtube.com/watch?list=UUPLAYER\\_GolfTipsMag&v=R5RzutKGLtM](https://www.youtube.com/watch?list=UUPLAYER_GolfTipsMag&v=R5RzutKGLtM)

<sup>14</sup> <http://videos.aarp.org/detail/video/4411637675001/pill-identifier---aarp?autoStart=true/?intcmp=HEA-HLLV-FLXSLDR-SLIDE1-RL2>

<sup>15</sup> <http://www.seattlepi.com/news/article/52-tips-for-living-green-1269861.php>