

Bull Market Anniversary: What's Changed in 7 Years?

Weekly Update – March 14, 2016

Stocks closed out their fourth week of gains as investors gained confidence from higher oil prices and aggressive moves by the European Central Bank. For the week, the S&P 500 rose 1.11%, the Dow grew 1.21%, and the NASDAQ added 0.67%.¹

Last week marked the seventh anniversary of the market bottom on March 9, 2009. To put the recent volatility into perspective, let's take a look at what has changed over the last seven years:

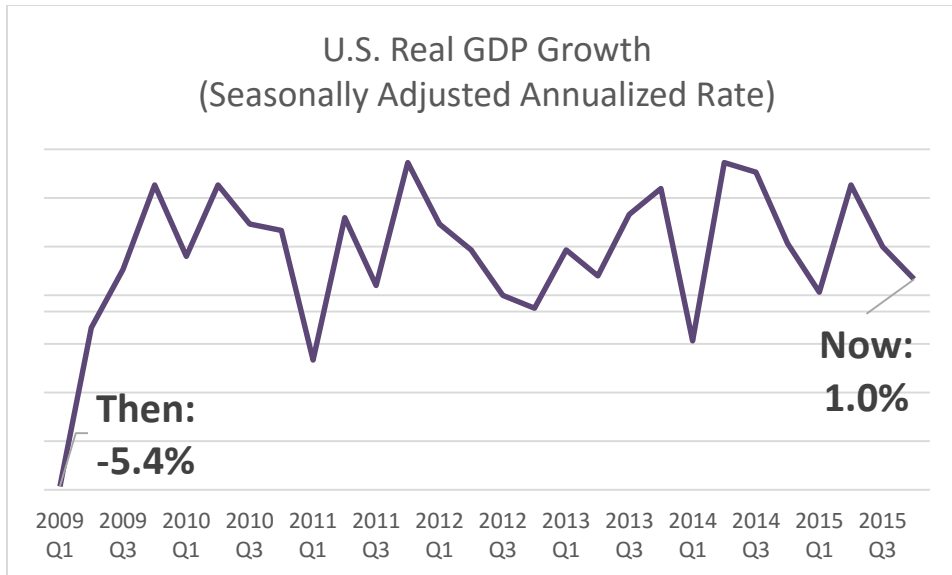
The S&P 500 has grown 199%

From the depths of the bear market, the S&P 500 grew nearly 215% through its mid-May 2015 high, surpassing previous historic highs.² Since then, stocks have lost value, pummeled by global economic forces. However, it's a testament to how resilient markets are that they have lost so little when faced with serious concerns about global growth.



Price return between 3/09/09 and 3/11/16. Past performance is no guarantee of future results.
Source: Yahoo Finance. All data as of March 11, 2016.

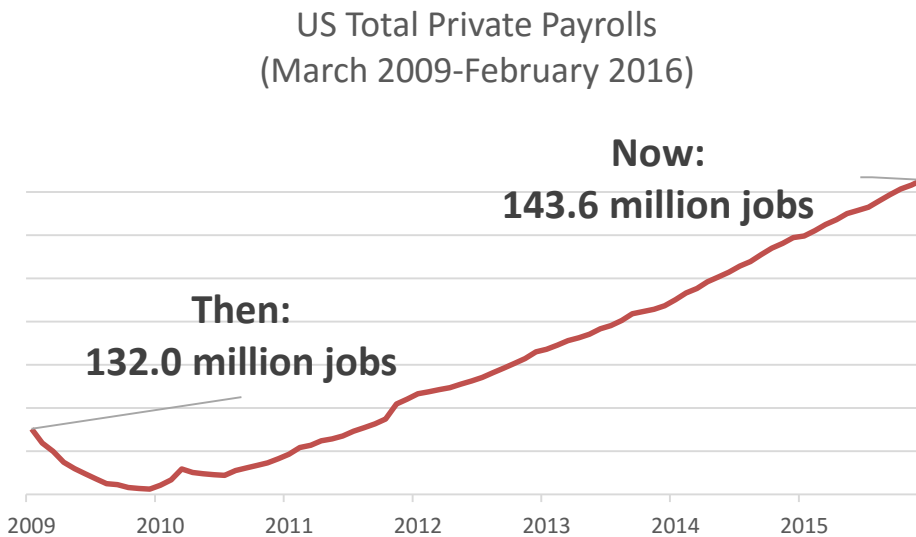
Economic growth has regained speed



Source: BEA

The economy has also made major strides in the last seven years. Taking a look at this chart, we can see that in the first quarter of 2009, the economy contracted by 5.4%, putting it firmly in recession territory. In contrast, the latest data from Q4 2015 shows that the economy grew by 1.0%. Now, we're not too excited about that level of growth, but we can see that the economy has grown substantially since 2009.

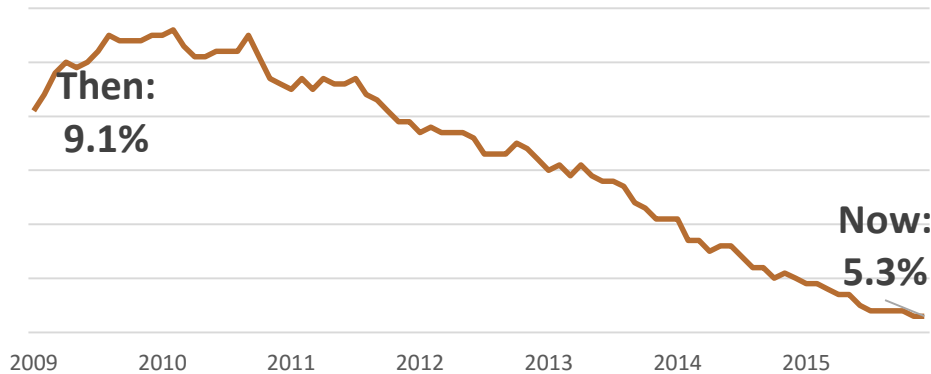
Millions of Americans have returned to work



Source: BLS

Over the last seven years, the economy has gained over 11.5 million jobs - far more than the 8.7 million jobs lost in the recession.³ While much of the growth has been in relatively low-paying industries, the improvement has been broad-based, indicating that many sectors of the economy are hiring.⁴

Unemployment Rate: Unemployed and Discouraged Workers (March 2009-February 2016)

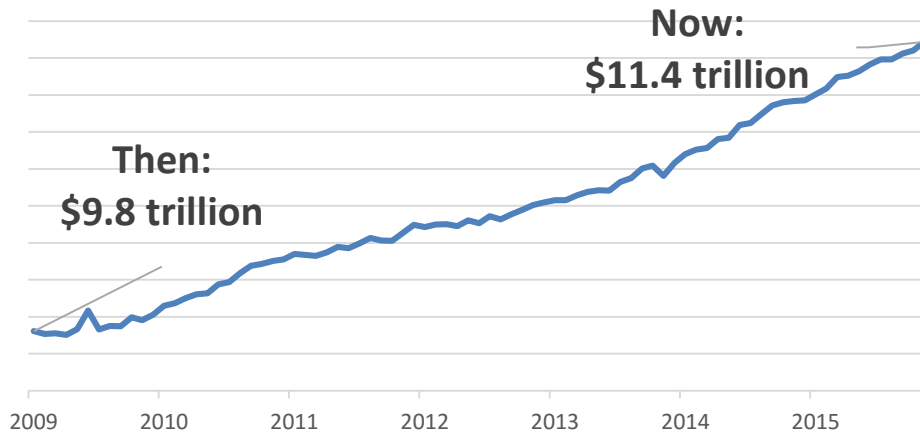


Source: BLS

We can also see that the number of both unemployed and “discouraged” workers has been steadily declining since peaking in mid-2010. This is a broader measure of unemployment because it also captures those who are not looking for jobs because they believe no work is available. As the labor market improved, more Americans gained confidence in their prospects and returned to the labor market.⁵

Americans are driving economic activity by spending

Real Personal Consumption Expenditures (March 2009-January 2016)



Source: BEA

In tandem with the increase in available work, Americans opened their wallets and started spending again, increasing personal spending by 15.9% over the last seven years.⁶ Since consumer spending accounts for about 70% of economic activity, it represents a driving force for our economy. Though we don’t have February or March data yet, consumer spending still appears to be on a healthy trajectory.

Our view

With all of the talk of recession and bear markets, it can be easy to lose sight of just how far we've come during this rally. We don't believe that it's possible to accurately time the beginning or end of any market cycle. Since we can't predict where markets will go later this year, we can take a look at underlying fundamentals and make prudent adjustments to investment strategies as needed. We're keeping a close eye on markets and will continue to keep you informed.

The week ahead is packed with data. In addition, investors have two central bank meetings in what the media is calling "bank-a-palooza," a series of meetings by the ECB, Federal Reserve, and Bank of Japan to decide monetary policy. While the Fed isn't expected to raise interest rates again next week, officials could provide valuable insight into the timing of future rate hikes. If economic data supports further increases, investors could confront the possibility of multiple rate hikes this year.⁷

ECONOMIC CALENDAR:

Tuesday: PPI-FD, Retail Sales, Empire State Mfg. Survey, Business Inventories, Housing Market Index, Treasury International Capital

Wednesday: Consumer Price Index, Housing Starts, Industrial Production, EIA Petroleum Status Report, FOMC Meeting Announcement, FOMC Forecasts, Fed Chair Press Conference

Thursday: Jobless Claims, Philadelphia Fed Business Outlook Survey, JOLTS

Friday: Consumer Sentiment

Data as of 3/11/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
Standard & Poor's 500	1.11%	-1.06%	-0.88%	11.01%	5.78%
DOW	1.21%	-1.22%	-2.39%	8.58%	5.54%
NASDAQ	0.67%	-5.17%	-2.09%	14.97%	10.99%
U.S. Corporate Bond Index	0.36%	1.57%	-0.14%	5.05%	6.94%
International	0.99%	-4.16%	-9.01%	-0.49%	-0.69%
Data as 3/11/2016	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.27%	0.51%	0.70%	1.49%	1.98%

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance, S&P Dow Jones Indices, and Treasury.gov. International performance is represented by the MSCI EAFE Index. Corporate bond performance is represented by the SPUSCIG. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

HEADLINES:

China trade data shows slowdown. Exports from the world's second-largest economy dropped 25.4% in February, far worse than estimates, stoking concerns about China's growth in 2016.⁸

Weekly jobless claims fall. The number of Americans filing new claims for unemployment benefits fell more than expected last week, reaching the lowest level since October.⁹

Oil prices drive higher after watchdog report. Oil rallied last week after the International Energy Agency reported that after months of lows, oil may have bottomed out now that producers are working to stabilize prices.¹⁰

European Central Bank moves aggressively to stoke growth. After months of anticipation, the ECB voted to cut interest rates to zero and unveiled a raft of measures to pull the EU out of the doldrums.¹¹



"It takes 20 years to build a reputation and five minutes to ruin it."

– Warren Buffett



Fruit and Nut Scones



Try different fruit and nut pairings to see which ones you like best!

Serves 6

Ingredients:

2 1/2 cups all-purpose flour
4 tsp baking powder
1 tsp salt

1/3 cup sugar
1/2 cup cold butter, cut into pieces
1 cup fresh or dried fruit, chopped
1/2 cup nuts, chopped
1 large egg, beaten
3/4 cup buttermilk, half-and-half, or heavy cream (only use as much as you need to make the dough come together)
1/4 teaspoon vanilla extract
2 tablespoons butter, melted
Non-stick cooking spray or a butter wrapper

Chef's tip: Try some of these combinations: apricots with almonds, blueberries with walnuts, peaches with pecans.

Directions:

1. Preheat your oven to 400° F. Spray a baking sheet with the cooking spray or use a leftover butter wrapper to grease it. Mix the flour, baking powder, salt, and sugar into a large mixing bowl. Use a pastry cutter to cut in the cold butter or pulse the mixture in a food processor until it resembles large crumbs. Don't allow the butter to melt.
2. Add the chopped fruits and nuts and mix. Add the beaten egg and half of the buttermilk or cream. Stir the dough until it forms a shaggy mass, adding more buttermilk in small increments as needed until there is little or no flour left at the bottom of the bowl.
3. On a well-floured surface, pat the dough into a rough circle about two inches thick. Use a biscuit cutter to cut out rounds or use a pizza cutter to cut it into wedges.
4. Place each scone on the greased baking sheet about two inches apart. Brush them with the melted butter and bake for 20-25 minutes until golden brown. Serve warm or at room temperature.

Recipe adapted from RealSimple.com¹²



6 Facts About Capital Gains

When you sell a capital asset like an investment or a piece of property, the sale can result in a capital gain or loss. The IRS defines a capital asset as "most property you own for personal use or own as an investment." Here are six facts you should know about capital gains:

1. A capital gain or loss is the difference between what you originally paid for the asset (your basis) and the amount you get when you sell an asset.
2. You must include all capital gains in your income and you may be subject to the Net Investment Income Tax if your income is above certain amounts. Consult a qualified tax expert for help.
3. The IRS allows you to deduct capital losses on the sale of investment property. You cannot deduct losses on the sale of property that you hold for personal use.
4. If your capital losses are more than your capital gains in a tax year, you can deduct the difference as a loss on your tax return. This loss is limited to \$3,000 per year, or \$1,500 if you are married and file a separate return.
5. If your total net capital loss is more than the limit you can deduct, you can carry it over to next year's tax return.
6. Capital gains and losses are treated as either long-term or short-term, depending on how long you held the property. If you held it for one year or less, the gain or loss is short-term and your regular income tax rate applies. Long-term gains are taxed at a lower rate.

For more information about capital gains and losses, contact a qualified tax expert or read Publication 550, "Investment Income and Expenses."

Tip courtesy of IRS.gov¹³



Kill the Three-Putt

Few things are more annoying than missing an easy two-stroke putt and being forced to take the extra stroke. If you're struggling with distance control, here's a drill to help you dial it in:

On the putting green, take two tees and place one a couple of feet behind the hole on the higher side and another one a few inches in front of the hole. They should form a triangle with the hole itself. Now, take a bucket of balls and practice placing your putts inside that triangle from 20, 30, and 40 feet away. Don't focus so much on getting the ball in the hole; rather, work on getting it within the triangle. Keep working until you can roll the majority of your putts into the zone.

Tip courtesy of Susie Corona, LPGA, | Golf Tips Mag¹⁴



Try Pain-Fighting Superfoods

Research shows that some foods can help ease aches and pains about as well as over-the-counter pain medications. Though you should always consult with a physician before starting any new medical regimen, try adding the foods below to your diet when dealing with pain:

Red grapes contain resveratrol, a chemical that helps prevent tissue degeneration. **Ginger root** isn't just a digestive aid or anti-nausea panacea; it can also help reduce the body's inflammatory response.

Soy protein can help cut osteoarthritis pain (by 30% or more in one study).

Tip courtesy of AARP¹⁵



Shut Off Your Computer to Save Energy

You could save close to \$100 per year by shutting down your home computer each night or when you don't expect to use it for more than two hours. Turning off the monitor or setting it to sleep mode will also help curb the amount of energy it uses. If you're in the market for a new computer, consider getting a laptop – it uses a quarter of the power of a desktop.

Tip courtesy of Seattle PI¹⁶

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 S&P U.S. Investment Grade Corporate Bond Index contains U.S.- and foreign-issued investment-grade corporate bonds denominated in U.S. dollars.

The SPUSCIG launched on April 09, 2013. All information for an index prior to its Launch Date is back-tested, based on the methodology that was in effect on the Launch Date. Back-tested performance, which is hypothetical and not actual performance, is subject to inherent limitations because it reflects application of an Index methodology and selection of index constituents in hindsight. No theoretical approach can take into account all of the factors in the markets in general and the impact of decisions that might have been made during the actual operation of an index. Actual returns may differ from, and be lower than, back-tested returns.

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/q/hp?s=%5EGSPC&a=01&b=7&c=2016&d=02&e=11&f=2016&g=d>

<http://finance.yahoo.com/q/hp?a=01&b=7&c=2016&d=02&e=11&f=2016&g=d&s=%5EDJI%2C+&q=1>

<http://finance.yahoo.com/q/hp?a=01&b=7&c=2016&d=02&e=11&f=2016&g=d&s=%5EIXIC%2C+&q=1>

² S&P 500 price performance between 3/9/09 and 5/21/15. Source: Yahoo Finance

³ <http://www.cbpp.org/research/economy/chart-book-the-legacy-of-the-great-recession>

⁴ <https://research.stlouisfed.org/fred2/series/PAYEMS>

⁵ <https://research.stlouisfed.org/fred2/series/U4RATE#>

⁶ <https://research.stlouisfed.org/fred2/series/PCEC96#>

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- ⁷ <http://www.cnn.com/2016/03/11/bear-market-rally-or-bull-fed-data-may-hold-clue.html>
- ⁸ <http://www.foxbusiness.com/markets/2016/03/08/wall-street-pares-steep-losses-as-utilities-turn-green.html>
- ⁹ <http://www.foxbusiness.com/markets/2016/03/10/weekly-jobless-claims-fall-by-18000.html>
- ¹⁰ <http://news.yahoo.com/oil-prices-rally-improved-iea-outlook-132654478.html>
- ¹¹ <http://www.theguardian.com/business/2016/mar/10/european-central-bank-cuts-interest-rates-zero-mario-draghi>
- ¹² <http://www.realsimple.com/food-recipes/sponsor-recipes/apricot-almond-scones>
- ¹³ <https://www.irs.gov/uac/Capital-Gains-and-Losses-10-Helpful-Facts-to-Know>
- ¹⁴ <http://www.golftipsmag.com/instruction/putting/quick-tips/tee-party.html>
- ¹⁵ <http://www.aarp.org/food/diet-nutrition/info-03-2011/pain-fighting-foods.4.html>
- ¹⁶ <http://www.seattlepi.com/news/article/52-tips-for-living-green-1269861.php>