
Q4 GDP Revised Upward by Strong Consumer Spending

Weekly Update – March 28, 2016

Stocks ended the holiday-shortened week down, snapping their five-week winning streak. However, losses were mild amid low trading volume before the Easter weekend. For the week, the S&P 500 lost 0.67%, the Dow fell 0.49%, and the NASDAQ dropped 0.46%.¹

Last week's economic calendar was highlighted by the third estimate of fourth-quarter 2015 economic growth. The report showed that Gross Domestic Product grew much faster than originally thought—by a 1.4% annualized rate instead of 1.0%. For all of 2015, the economy grew by a respectable 2.4%—not too shabby considering the headwinds the country faced down last year.²

The revision reflected much stronger consumer spending than originally thought, which is a relief to recession-watchers and could bode well for the economy in 2016. Spending is being supported by a strong labor market and low gas prices. However, the news isn't all rosy. Business inventories were revised lower, showing that companies are reluctant to tie up cash in the face of uncertain demand. Since stockpiles are still high, it's possible that weak business spending will eat into economic growth in the first quarter.³

Can we trust GDP estimates? That interesting question was recently brought up by a CNBC report, which found that GDP growth estimates could be off by as much as 1.3%.⁴ When growth rates are already low, such a large margin of error (if it exists) could have serious business and policy implications.

A large part of the problem may be that many reports used by federal economists to calculate GDP arrive months—even a year—after the initial reports on economic growth go out, forcing them to use estimates. As these reports come in, economists revise the data, long after the relevant quarter matters to investors and policy makers. It's often a question of trading accuracy for timeliness. That's one of the reasons why we look at many different indicators and must understand the limitations of each one when we create models.

A vicious bombing attack on Tuesday killed at least 30 people in Brussels, putting the European Union capital on lockdown. Major cities around the world are bolstering security around transportation hubs in response.⁵ The attack brings attention to the ongoing threat of terrorism and highlights the problems Europe is having in sharing intelligence and tracking suspected terrorists. Our thoughts are with the victims and their families.

Looking at the week ahead, we can expect some volatility as investors react to last week's GDP report, which was released during Friday's market holiday. While investors may react positively to the better-than-expected growth, we may also see some market

turmoil ahead of the end of the quarter. The question is: **Did the first quarter of 2016 deliver on expectations?**

ECONOMIC CALENDAR:

Monday: International Trade in Goods, Personal Income and Outlays, Pending Home Sales Index, Dallas Fed Mfg. Survey

Tuesday: S&P Case-Shiller HPI, Consumer Confidence, **Janet Yellen Speaks 11:30 AM ET**

Wednesday: ADP Employment Report, EIA Petroleum Status Report

Thursday: Jobless Claims, Chicago PMI

Friday: Motor Vehicle Sales, Employment Situation, PMI Manufacturing Index, ISM Mfg. Index, Consumer Sentiment, Construction Spending

Data as of 3/25/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
Standard & Poor's 500	-0.67%	-0.39%	-1.22%	10.99%	5.63%
DOW	-0.49%	0.52%	-1.14%	8.67%	5.53%
NASDAQ	-0.46%	-4.67%	-2.11%	14.80%	10.64%
U.S. Corporate Bond Index	0.22%	3.16%	0.45%	5.49%	7.10%
International	-2.23%	-5.41%	-14.56%	-0.88%	-1.13%
Data as 3/25/2016	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.24%	0.46%	0.63%	1.39%	1.91%

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:

Durable goods orders fall. Orders for long-lasting factory goods like appliances and vehicles fell in February by 2.8%. The data shows that the manufacturing sector is still struggling with falling demand.⁶

Weekly jobless claims rise modestly. The number of Americans filing new claims for unemployment benefits rose by 6,000, though revisions to prior week claims show that the labor market was stronger than expected.⁷

Q4 corporate profits down 3.2%. A measure of after-tax corporate profits shows that the overall bottom line for U.S. companies declined 3.2% over the previous year, held down by results from petroleum and chemical industries.⁸

New home sales rise in February. Sales of newly built homes rose last month; however, the increase was concentrated in a single region, suggesting the growth is not widespread as the busy Spring season takes off.⁹

QUOTE OF THE WEEK



*"Rest satisfied with doing well, and leave others to talk of you as they please."
– Pythagoras*

RECIPE OF THE WEEK



Poached Huevos Rancheros



Make this fast breakfast dish to use up Tex-Mex leftovers or on its own.

Serves 4

Ingredients:

- 1 16-ounce jar salsa (2 cups)
- 1 15.5-ounce can black or pinto beans, drained and thoroughly rinsed
- 4 large eggs
- Kosher salt and black pepper

2 green onions, white and green parts sliced
1/4 cup chopped fresh cilantro, thoroughly rinsed
4-8 small flour or corn tortillas, warmed
1/2 cup low-fat sour cream
2 tablespoons fresh lime juice

Directions:

1. Heat a large heavy-bottomed skillet over medium-high heat. Add the beans and salsa and bring to a simmer. If you have leftover chili or taco filling, add it to the pan now.
2. Using a spoon, make four wells or spaces in the bean mixture. Crack an egg into each well. Sprinkle each egg with salt and pepper. Cover the pan and allow the eggs to cook over medium heat for 3-5 minutes for set whites and runny yolks. If you prefer firmer eggs, allow them to cook longer.
3. Divide the mixture between four plates and sprinkle with lime juice, cilantro, and green onions. Serve with the tortillas and sour cream.

Recipe adapted from RealSimple.com¹⁰



What You Should Know About Bartering and Taxes

Even if you don't own a business, you may occasionally trade products or services with someone else instead of paying cash. If you barter, the value of the goods or services you trade is considered taxable income. Here are some things to keep in mind:

- Both parties in a trade must report the fair market value of the products or services they receive as income on their tax returns.
- Barter exchanges, organized marketplaces where members trade goods or services, are required to issue Form 1099-B, "Proceeds from Broker and Barter Exchange Transactions." You must include the amount earned on your tax return.
- Bartering is taxable in the year the trade occurs. Depending on your individual situation, you may owe income taxes, self-employment taxes, employment taxes or excise taxes on your bartering income.

If you have questions about how to handle income from bartering or other sources, contact a tax professional.

Tip courtesy of IRS.gov¹¹



Is “C Posture” Wrecking Your Swing?

Posture is critical to developing an effective and consistent swing. “C posture,” a curving of the upper back and shoulders from poor posture during daily activities (like sitting in front of a computer) can actively prevent you from having a free and athletic swing. Here’s a quick way to fix your posture:

Actively reset your posture by standing up straight and pinching your shoulder blades together. Bend at the waist and set up a swing. Ask a partner to check your back for rounding. Repeat this to feel how good posture should feel.

Tip courtesy of Doug Hammer, PGA | Golf Tips Mag¹²



Exercise is the Best Thing You Can Do for Your Brain

The research is clear: Regular exercise is the best way to keep your brain sharp and healthy. While scientists aren’t clear on the direct relationship between exercise and brain health, one possibility is the way that exercise boosts blood flow to the brain. Exercise can also help reduce stress, control blood sugar, lower the risk of strokes, and improve balance. It’s a win-win for your body.

The good news is that it’s never too late to start an exercise program for brain health. Talk to your physician and look for fitness options that seem interesting. Many local gyms offer classes geared toward beginners and older folks. Experts recommend at least 2-1/2 hours of brisk exercise— like a fast-paced walk—each week.

Tip courtesy of AARP¹³



Check Your Refrigerator Temperature

- Since refrigerators and freezers jointly account for almost 20% of an average home’s energy use, efficiency matters. Tune your refrigerator and freezer by using

a simple outdoor thermometer to check the temperature. Your refrigerator should stay close to 37 degrees while the freezer should be around 3 degrees.

Tip courtesy of Seattle PI¹⁴

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

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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?a=02&b=21&c=2016&d=02&e=25&f=2016&g=d&s=%5EGSPC%2C+&ql=1>

<http://finance.yahoo.com/q/hp?s=%5EDJI&a=02&b=21&c=2016&d=02&e=25&f=2016&g=d>

<http://finance.yahoo.com/q/hp?a=02&b=21&c=2016&d=02&e=25&f=2016&g=d&s=%5EIXIC%2C+&ql=1>

² <http://www.cnbc.com/2016/03/25/fourth-quarter-gdp-revised-up-corporate-profits-fall.html>

³ <http://www.cnbc.com/2016/03/25/fourth-quarter-gdp-revised-up-corporate-profits-fall.html>

⁴ <http://www.cnbc.com/2016/03/24/cnbc-analysis-dont-trust-those-gdp-numbers.html>

⁵ <http://www.nytimes.com/2016/03/23/world/europe/brussels-attacks-what-we-know-and-dont-know.html>

⁶ <http://www.foxbusiness.com/markets/2016/03/24/february-durable-goods-orders-fall-2-8.html>

⁷ <http://www.foxbusiness.com/markets/2016/03/24/weekly-jobless-claims-rise-by-6000.html>

⁸ <http://www.marketwatch.com/story/4th-quarter-gdp-raised-to-14-but-corporate-profits-sink-2016-03-25>

⁹ <http://www.foxbusiness.com/markets/2016/03/23/february-new-home-sales-rise-2.html>

¹⁰ <http://www.realsimple.com/food-recipes/browse-all-recipes/skillet-poached-huevos-rancheros>

¹¹ <https://www.irs.gov/uac/Bartering-Produces-Taxable-Income-and-Reporting-Requirements>

¹² <http://www.golftipsmag.com/instruction/full-swing/the-swing-and-body-connection/>

¹³ <http://www.aarp.org/health/brain-health/info-05-2013/exercising-tips-for-brain-health.html>

¹⁴ <http://www.seattlepi.com/news/article/52-tips-for-living-green-1269861.php>