
Stocks Post Worst Week Since February

Weekly Update – April 11, 2016

Stocks tumbled last week on downward revisions to U.S. economic growth and worries about global growth.¹ For the week, the S&P 500 fell 1.21%, the Dow lost 1.21%, and the NASDAQ gave up 1.30%.²

After a rosier-than-expected fourth quarter, economic forecasts suggest that the economy barely grew in the first three months of 2016. A report showing that wholesale inventories declined in February caused estimates of Q1 real economic growth to plummet from 0.7% to just 0.1%. In mid-March, the estimate was as high as 2.3%, but forecasts are dropping fast.³

A couple of things to keep in mind: 1) these are very early estimates that are missing a lot of data; 2) early forecasts are very sensitive to updates to the data. Other economists think that the seasonal bias against first-quarter results could be pushing down estimates and that underlying economic growth could be closer to 2.0%. We'll know more when the first estimate of Q1 Gross Domestic Product (GDP) growth comes out on April 25.⁴

Last week, attention turned to the upcoming Fed meeting at the end of April. Minutes from the March meeting show that opinions among voting members of the Open Market Committee are running against an April rate hike.⁵ Other economists seem to agree; currently, just 1.0% think the Fed will raise rates in April. 75.0% think a June hike is likely.⁶

In a public session with three other former Federal Reserve chairs last week, current Chair Janet Yellen reiterated her upbeat stance on the economy and stated that the Fed is on a "reasonable path" to future rate hikes. Her predecessor, former chair Ben Bernanke, supported her position by saying he doesn't believe that recession risk is much higher in 2016 than in other years, which could pave the way for more hikes later this year.⁷ Given that the Fed has little room to lower rates again if economic growth slows, and plenty of room to raise rates if growth surprises, Yellen seems determined to be cautious.

The next few weeks are packed with earnings results, which will likely mean more market volatility. We know that the growth picture is weak and that the earnings outlook is negative.⁸ However, we also know that managers like to sandbag expectations so that they can post better-than-expected results. Will we see positive surprises next week? We'll let you know.

ECONOMIC CALENDAR:

Tuesday: Import and Export Prices, Treasury Budget

Wednesday: Retail Sales, PPI-FD, Business Inventories, EIA Petroleum Status Report, Beige Book

Thursday: Consumer Price Index, Jobless Claims

Friday: Empire State Mfg. Survey, Industrial Production, Consumer Sentiment, Treasury International Capital

Data as of 4/8/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
Standard & Poor's 500	-1.21%	0.18%	-1.65%	10.83%	5.81%
DOW	-1.21%	0.87%	-1.82%	8.40%	5.81%
NASDAQ	-1.30%	-3.13%	-2.02%	14.89%	10.74%
U.S. Corporate Bond Index	0.57%	4.52%	1.35%	5.91%	7.54%
International	0.57%	-5.30%	-14.18%	-1.36%	-1.32%
Data as 4/8/2016	1 yr.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.20%	0.34%	0.54%	1.16%	1.72%

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:

Factory orders fall in February. Orders for manufactured goods fell in February for the third time in four months, showing that the manufacturing sector is still struggling.⁹

Trade deficit widens more than expected. The difference between imports and exports increased in February as an increase in exports was offset by growth in imports. However, a weakened dollar could mean that the increase in exports is sustainable.¹⁰

Jobless claims fall more than expected. Weekly claims for new unemployment benefits dropped by 9,000, indicating that the labor market continues to gain strength despite modest economic growth.¹¹

Tesla receives over 325,000 deposits for \$35,000 electric car. The Tesla Model 3 launch blew away expectations as fans placed \$1,000 deposits for the automaker's mass-market electric car. The success leads analysts to wonder: Can Tesla successfully make the transition from niche manufacturer to major automaker?¹²



"Never apologize for being great at something or wanting to be great at it."
– Kia Nurse

Spring Veggie Frittata



Serve this dish warm at brunch or reheat it for a quick breakfast option.

Serves 4-6

Ingredients:

1 tablespoon extra-virgin olive oil
½ pound fresh asparagus, woody bottom removed and stalks cut into 1-inch pieces
2 cups broccoli, chopped
1 cup cherry tomatoes, rinsed
8 large eggs
Kosher salt and black pepper
2 ounces goat cheese, crumbled

Directions:

1. Preheat your oven to 400°F. Heat an oven-proof skillet on medium-high. Add the olive oil and swirl it around the pan. Drop in the chopped asparagus and cook until softened. Add the broccoli pieces and whole cherry tomatoes and continue cooking until the tomatoes burst.
2. Meanwhile, whisk the eggs with a pinch of salt and a pinch of pepper. When the veggies are done cooking, pour the egg into the skillet and mix into the veggies. Stirring occasionally, cook the eggs for a minute or two.
3. Sprinkle the goat cheese on top and slide the skillet into the oven. Bake for about 10-12 minutes until the center is set and the eggs are firm.

Recipe adapted from RealSimple.com¹³



Rules for Home Office Deductions

If you have a business and work out of your home, the IRS allows you to deduct certain expenses on your return. Here are a few key things to keep in mind:

- The IRS requires you to use your office (or a part of your home) for “regular and exclusive use.” The part of the house should be your principal place of business, a place where you meet customers, or a separate structure dedicated to the business, like a garage or studio.
- To calculate your deduction, you can use two methods:
 - The simplified option allows you to multiply the allowable square footage of your office by \$5 up to a maximum of 300 square feet.
 - The regular method allows you to specifically calculate the actual expenses like rent, mortgage interest, taxes, repairs, depreciation, and utilities you pay for the portion of your home used for the business. If you use only part of a space for your business, you’ll need to figure out the percentage devoted to business activities.

For more information, speak to a qualified tax professional or read Publication 587, “Business Use of Your Home.”

Tip courtesy of IRS.gov¹⁴



Use Visualization to Hone Your Short Game

Putting is all about depth perception, feel, and consistency in your shots. One of the best ways to help yourself execute a shot is by visualizing the stroke, path, and outcome you want to achieve before you’re standing over the ball. If you can have an image in your head of what you want to accomplish, you’re more likely to commit to your shots and execute confidently.

To visualize the shot, look around you and carefully study the environment. Ask yourself:

- How will the lie affect your shot?
- What path will the ball take?
- How will it drop into the hole?

If you can, create an image in your head of the ball's trajectory and visualize yourself hitting the shot successfully.

Tip courtesy of David Mackenzie | Golf Tips Mag¹⁵



What Experts Say About Happiness

A longevity expert traveled around the world to learn what made people happiest. Here is what he found:

- **Where you live matters a lot.** Communities that make socialization and getting around easy have happier residents. Access to green spaces is also paramount.
- **Create a mood-boosting morning routine.** Getting enough sleep, eating breakfast every day, and going for a 30-minute walk can boost your mood for up to 12 hours.
- **Turn off the television.** Curbing screen time and increasing social activities, reading, or engaging in a hobby is linked to greater happiness.
- **Socialization is key.** Even for introverts, getting enough time with the people we love is one of the best things we can do for our happiness.

Tip courtesy of AARP¹⁶



Watch for Water Damage Threats

Excessive moisture can damage the exterior of your house and may introduce mold, rot, and other hazards to the indoor environment. Every season, walk around your home and check for clogged gutters, tree branches that overhand your roof or hold moisture against the walls, and standing water around the foundation. Also be sure to trim shrubs and landscaping back from the house.

Tip courtesy of Seattle PI¹⁷

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://www.cnbc.com/2016/03/31/us-markets.html>

² <http://finance.yahoo.com/q/hp?s=%5EGSPC&a=03&b=4&c=2016&d=03&e=8&f=2016&g=d>

<http://finance.yahoo.com/q/hp?a=03&b=4&c=2016&d=03&e=8&f=2016&g=d&s=%5EDJI%2C+&ql=1>

<http://finance.yahoo.com/q/hp?a=03&b=4&c=2016&d=03&e=8&f=2016&g=d&s=%5EIXIC%2C+&q=1>

³ <http://blogs.barrons.com/incomeinvesting/2016/04/08/the-incredible-shrinking-gdpnow-forecast-could-it-be-right/>

<https://www.frbatlanta.org/-/media/Documents/cqer/researchcq/gdpnow/GDPTrackingModelDataAndForecasts.xlsx?la=en>

⁴ <http://blogs.barrons.com/incomeinvesting/2016/04/08/the-incredible-shrinking-gdpnow-forecast-could-it-be-right/>

⁵ https://www.morningstar.com/news/market-watch/TDJNMW_20160406471/update-sentiment-on-fed-runs-against-april-rate-hike-minutes-show.html

⁶ <http://on.wsj.com/1RRA6GY>

⁷ <http://blogs.marketwatch.com/capitolreport/2016/04/07/live-blog-and-video-of-yellen-with-past-fed-chiefs-bernanke-greenspan-and-volcker/>

⁸ <http://www.zacks.com/commentary/77323/what-will-q1-earnings-season-bring>

⁹ <http://www.foxnews.com/us/2016/04/04/us-factory-orders-contracted-in-february.html>

¹⁰ <http://www.foxbusiness.com/markets/2016/04/05/february-trade-deficit-widened-to-47-6b.html>

¹¹ <http://www.foxbusiness.com/markets/2016/04/07/weekly-jobless-claims-fall-by-9000.html>

¹² <http://www.cnbc.com/2016/04/07/tesla-motors-reports-325k-deposits-for-model-3.html>

¹³ <http://www.realsimple.com/food-recipes/browse-all-recipes/spring-vegetable-frittata>

¹⁴ <https://www.irs.gov/uac/Must-Know-Tips-about-the-Home-Office-Deduction>

¹⁵ <http://www.golftipsmag.com/instruction/short-game/visualization/>

¹⁶ <http://www.aarp.org/health/healthy-living/info-02-2013/happiness-makeover-photos.html#slide5>

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