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## Is Britain Really Going to Leave the EU?

Weekly Update – June 13, 2016

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Before we begin our usual weekly commentary, we wanted to take a moment to honor the victims of Sunday’s terrible attack in Orlando. Though details are still scarce, it is the most devastating mass shooting in U.S. history. Our thoughts are with the victims, their families, and with the community that now must cope with the aftermath of the tragedy. As we look for answers, let’s also remember to be grateful for the ones we love.

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Though stocks reached new 2016 highs last week, they ended the week mixed as investors showed nervousness ahead of Britain’s vote on exiting the European Union.<sup>1</sup> For the week, the S&P 500 slipped 0.15%, the Dow gained 0.33%, the NASDAQ fell 0.97%, and the MSCI EAFE lost 1.79%.<sup>2</sup>

Though fear took over last week, some strategists believe that the S&P 500 could still test new historic highs in the days ahead, indicating that there’s still some optimism on Wall Street.

### What’s going on in Britain?

On June 23, Great Britain will hold a national referendum on whether or not to remain within the EU. The polls had shown that both sides were neck and neck, though the pro-“Brexit” (British exit) side has recently opened a 10-point lead.<sup>3</sup> Though Britain retains the pound sterling and isn’t part of the monetary union, it is a member of the 28-member European Union, which gives it access to the EU’s tariff-free single market, accounting for 45% of Britain’s export trade. One estimate suggests that Britain’s trade with Europe is 55% higher than it would be had it not joined the EU.<sup>4</sup>

### Why would Britain want to leave such a lucrative arrangement?

The debate over whether to stay or go comes down to a few key issues:

Stay Within the EU:	Leave the EU:
<b>Free Trade</b>	
By staying, Britain avoids expensive tariffs	By leaving, Britain can negotiate new

and import/export red tape when accessing the EU market. It can also take advantage of the EU's size in negotiating trade terms with other partners.	trade terms with EU member countries and develop new trade deals with China, India, and other countries without EU interference.
<b>Regulations</b>	
Regulations are standardized across the EU, avoiding the hassle and expense of negotiating country-by-country standards.	By leaving, Britain will be able to negotiate its own employment, health, and safety standards.
<b>Immigration</b>	
Leaving the EU doesn't guarantee that Britain can stem the tide of immigrants and economic migrants.	Britain can create an immigration system to better suit its economic and social needs.
<b>Diplomacy</b>	
During international diplomatic efforts, Britain benefits by being represented twice: by its own foreign secretary and by the EU high representative.	Britain can reclaim its national interests and influence international policy in its own favor.

Source: *The Economist, Britain Stronger in Europe, Vote Leave*

### **What would a Brexit mean for U.S. investors?**

Markets would likely react badly if Britons voted to leave the EU. The situation would create serious uncertainty about the future of the EU, and markets hate uncertainty. We don't know exactly how a Brexit would play out; many legal agreements would have to be renegotiated, work situations for EU and British citizens would be left in limbo, and the political climate would drastically change.<sup>5</sup> However, these consequences would play out over several years as both sides negotiate the exit.<sup>6</sup>

Estimates on the cost of a Brexit vary; one worst-case scenario projects a 6.2% loss of economic growth in Britain by 2030. Another estimate projects a best-case scenario of a 1.6% increase in Gross Domestic Product.<sup>7</sup> It's very difficult to predict the relative benefits and costs because so much depends on exit negotiations.<sup>8</sup> However, since Britain and Europe need each other, it's likely that post-Brexit negotiations would be favorable to free trade, making the worst-case scenario unlikely.

Many of the worst-case fears regarding a Brexit are similar to those we faced in 2015

with the “Grexit” or Greek exit. The departure of an important member nation could fracture the EU and cause other countries to consider following suit.

Though it seems unlikely that a Brexit would seriously harm U.S. interests, Federal Reserve Chair Janet Yellen stated that the Fed would consider the potential impact of a Brexit when setting interest rate policy this month.<sup>9</sup> Most experts don’t expect the Fed to raise rates this week, though there’s always room for a surprise.

## Our view

Is a Brexit the black swan event that could throw a wrench into markets? It’s certainly possible, but it’s not the most likely scenario. Though a British exit would certainly affect global markets, it’s important to keep things in perspective. Headwinds and threats come in all shapes and sizes, and it’s important to take them in stride. Some headwinds blow in for a while and then go away; others linger and cause more significant volatility. Being a long-term investor means staying flexible and maintaining focus on your individual goals. If you have any questions about how Britain’s vote may affect your portfolio, please give us a call.

## ECONOMIC CALENDAR:

**Tuesday:** Retail Sales, Import and Export Prices, Business Inventories

**Wednesday:** PPI-FD, Empire State Manufacturing Survey, Industrial Production, EIA Petroleum Status Report, FOMC Meeting Announcement, FOMC Forecasts, **Fed Chair Press Conference 2:30 PM ET**, Treasury International Capital

**Thursday:** Consumer Price Index, Jobless Claims, Philadelphia Fed Business Outlook Survey, Housing Market Index

**Friday:** Housing Starts

Data as of 6/10/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
<b>Standard &amp; Poor's 500</b>	-0.15%	2.55%	-0.43%	12.98%	6.74%
<b>DOW</b>	0.33%	2.53%	-0.75%	9.90%	6.40%
<b>NASDAQ</b>	-0.97%	-2.25%	-3.59%	17.03%	12.92%
<b>U.S. Corporate Bond Index</b>	0.51%	6.45%	7.44%	5.50%	7.72%
<b>International</b>	-1.79%	-4.39%	-13.30%	-0.27%	-0.63%
Data as of 6/10/2016	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
<b>Treasury Yields (CMT)</b>	0.18%	0.42%	0.57%	1.17%	1.64%

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:

**Consumer sentiment slips in June.** A measure of how Americans are feeling about the economy and their prospects fell slightly even though Americans are feeling the benefit of higher wages.<sup>10</sup>

**Jobless claims fall unexpectedly.** The number of Americans filing new claims for unemployment benefits fell last week, suggesting strength in the labor market after May's weak hiring.<sup>11</sup>

**Employers announce most job openings in nine months.** Though employers are posting record job openings, they are holding back on filling them, suggesting businesses may have concerns about economic growth.<sup>12</sup>

**Oil prices jump on supply disruptions.** Though the world is still gripped in an oil-supply slump, supply disruptions in several oil-producing nations gave oil prices a recent boost.<sup>13</sup>



*"To handle yourself, use your head; to handle others, use your heart."*

– Eleanor Roosevelt



### Grilled Buttermilk Chicken



*Buttermilk gives grilled chicken a delicious tang.*

## Ingredients:

Serves 8

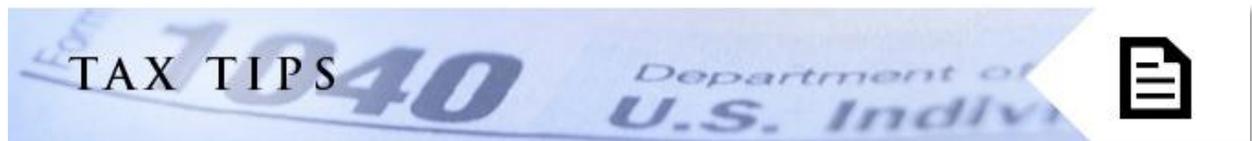
1-1/2 cups buttermilk  
8 cloves garlic, chopped  
1 tablespoon paprika  
1 tablespoon cumin  
Kosher salt and black pepper  
6 pounds bone-in chicken legs, thighs, or breasts

**Chef's tip:** This recipe also works for chicken kebabs. Simply substitute boneless chicken breast or thigh pieces and thread them onto metal skewers after marinating.

## Directions:

1. Mix the buttermilk, garlic, paprika, cumin, 1-1/2 teaspoons salt, and several large pinches of pepper in a large sealable plastic bag or nonreactive bowl. Add the chicken pieces and turn them to coat.
2. Allow the chicken to marinate at least one hour or overnight.
3. Heat your grill to medium-low. If you're using charcoal, set up a two-zone fire by piling lit coals on one side of the grill.
4. Remove the chicken from the marinade and wipe off excess with a paper towel. Place on the grill and cook for 30 minutes or until done through. If the chicken is cooking too quickly, move it to the cooler side of the grill.
5. Serve immediately over rice or couscous.

Recipe adapted from Kate Merker | RealSimple.com<sup>14</sup>



## Searching for a Job? You Can Deduct Certain Expenses

If you're on the lookout for a new job this summer, you might be able to deduct some search-related expenses on your taxes. Here's what the IRS wants you to know:

- You can only deduct expenses for a job search relating to your current occupation. Unfortunately, you cannot deduct job search expenses if there is a "substantial break" between your last job and your job search or if you are looking for your first job.
- You cannot deduct expenses that are reimbursed by an employer or other party.
- You can deduct fees paid to employment and job placement agencies and the costs relating to preparing and mailing your résumé to prospective employers, including professional proofing and editing.
- If you travel to an interview or other search-related activity, you can deduct those expenses, but only if the primary purpose of the trip is to look for work.

- Job search expenses will usually be claimed as a miscellaneous item deduction, and you can only deduct the portion of miscellaneous deductions that exceed 2% of your adjusted gross income.

Tip courtesy of IRS.gov<sup>15</sup>



### **Don't Pick Up Your Head Too Soon**

A common reason for missing putts—even the easy ones—is picking your head up too early to watch the ball drop into the cup. It's normal to be anxious about where the ball is going, but shifting your head just after the stroke can cause you to open or close the blade of your putter, unintentionally sending the ball off course. Ideally, you want to keep your finish position until you hear the ball rattle in the hole.

If you find yourself moving your head too soon, try forcing yourself to remain in position and listening for the rattle.

Tip courtesy of Wally Armstrong | Golf Tips Mag<sup>16</sup>



### **Do You Really Need an Annual Physical?**

If you feel fine, do you really need to get that annual checkup? Experts say: maybe. The point of a wellness visit isn't just to make sure that you're healthy, but to give doctors a baseline for future exams. Annual visits also offer you the opportunity to build a doctor-patient relationship before an illness or accident causes you to need care.

If you think you don't need annual visits, ask your physician how often he or she thinks you should come in. If your physician isn't worried about your health, you might be able to check in less often; however, if you have a family history of illness or have symptoms the doctor wants to keep tabs on, he or she might want you to visit more often.

Tip courtesy of AARP<sup>17</sup>



### **Make Your Own Tile and Grout Cleaner**

Most commercial tile and grout cleaners are full of harsh chemicals like formaldehyde, toluene, and benzene that can linger in the air or pollute local waterways. Next time you need to give your tiles a scrub, try making a simple two-ingredient paste that's safer for your home and the environment.

1. Pour 1/2 cup of baking soda in a bowl.
2. Add a liquid soap like Dr. Bronner's or any eco-friendly soap available at the grocery store, and mix until a paste forms.

Dip a rough sponge into the paste and scrub your tiles as you usually would. Then, rinse with water.

Tip courtesy of Prevention<sup>18</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 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.

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Past performance does not guarantee future results.

You cannot invest directly in an index.

Consult your financial professional before making any investment decision.

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<sup>1</sup> <http://www.marketwatch.com/story/sp-500-logs-highest-close-of-2016-2016-06-06>

<sup>2</sup> <http://finance.yahoo.com/q/hp?s=%5EGSPC&a=05&b=6&c=2016&d=05&e=10&f=2016&g=d>

<http://finance.yahoo.com/q/hp?a=05&b=6&c=2016&d=05&e=10&f=2016&g=d&s=%5EDJI%2C+&q=1>

<http://finance.yahoo.com/q/hp?a=05&b=6&c=2016&d=05&e=10&f=2016&g=d&s=%5EIXIC%2C+&q=1>

<https://www.msci.com/end-of-day-data-search>

<sup>3</sup> <http://www.independent.co.uk/news/uk/politics/eu-referendum-poll-brexite-leave-campaign-10-point-lead-remain-boris-johnson-nigel-farage-david-a7075131.html>

<sup>4</sup> <http://www.economist.com/blogs/graphicdetail/2016/02/graphics-britain-s-referendum-eu-membership>

<sup>5</sup> <http://www.ft.com/cms/s/0/43645264-12a7-11e6-839f-2922947098f0.html>

<sup>6</sup> <http://news.sky.com/story/1650373/if-uk-quits-eu-answers-to-the-key-questions>

<sup>7</sup> <http://www.economist.com/news/latin-america/21697097-leaving-eu-would-come-heavy-cost-treasury-analysis-suggests-costs-brexite-would>

<sup>8</sup> <http://news.sky.com/story/1650373/if-uk-quits-eu-answers-to-the-key-questions>

<sup>9</sup> <http://www.bbc.com/news/business-36463819>

<sup>10</sup> <http://www.foxbusiness.com/markets/2016/06/10/consumer-sentiment-slips-slightly-in-june.html>

<sup>11</sup> <http://www.foxbusiness.com/markets/2016/06/09/weekly-jobless-claims-fall-by-4000.html>

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<sup>12</sup> <http://www.foxnews.com/us/2016/06/08/us-job-openings-rise-yet-employers-cut-back-on-filling-them.html>

<sup>13</sup> <http://www.usatoday.com/story/money/columnist/2016/06/12/oil-supply-uncertainty-helps-pump-up-prices/85692674/>

<sup>14</sup> <http://www.realsimple.com/food-recipes/browse-all-recipes/grilled-buttermilk-chicken-recipe>

<sup>15</sup> <https://www.irs.gov/uac/job-search-expenses-may-be-deductible>

<https://www.irs.gov/publications/p529/ar02.html>

<sup>16</sup> [https://www.youtube.com/watch?list=UUPLAYER\\_GolfTipsMag&v=uUiur2emEkQ](https://www.youtube.com/watch?list=UUPLAYER_GolfTipsMag&v=uUiur2emEkQ)

<sup>17</sup> <http://www.aarp.org/health/healthy-living/info-2016/physical-exam-primary-care-doctor.html?intcmp=AE-HEA-HLLV-SPOT2-BEWELL#slide1>

<sup>18</sup> <http://www.prevention.com/health/healthy-living/70-easy-ways-green-your-life/try-3-ingredient-tile-cleaner>