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## Fed Blinks on Brexit Fears

Weekly Update – June 20, 2016

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Markets fell on Brexit fears and concerns about the Fed's dovish statements, giving the Dow its worst week in a month.<sup>1</sup> For the week, the S&P 500 slipped 1.19%, the Dow fell 1.06%, the NASDAQ dropped 1.92%, and the MSCI EAFE lost 2.78%.<sup>2</sup>

The big news last week was the Federal Reserve's decision not to raise interest rates. The decision wasn't a surprise; just before the announcement, traders had assigned just a 1.9% chance of a June rate increase.<sup>3</sup>

Looking at the official statement, we can see that the Fed is concerned enough about a slowdown in the labor market and persistently low economic growth to hold off on raising rates.<sup>4</sup> However, the Fed largely hasn't changed its forecasts for economic growth or unemployment, indicating that its concerns may be short-term.<sup>5</sup> Is that decision a reflection of the data or a political move designed to support its vision of a healthy economy? It's hard to say.

A July rate increase is still possible though traders don't seem to buy it. Current probabilities of a July rate hike sit at just 7.0%.<sup>6</sup> What would need to happen for the Fed to move in July? Well, we're not Fed economists, but experts think the Fed would want to see a strong June jobs report, a British vote to remain in the EU, solid data out of China, and stable financial markets.<sup>7</sup>

It seems more likely that the Fed will push rate increases out to September or December despite Fed Chair Janet Yellen's hawkish statements. With a contentious presidential election in November, it doesn't seem likely that the Fed will rock the boat until the votes are tallied.

In a Q&A session, Yellen cited Britain's upcoming referendum vote on EU membership as a factor in the decision to hold pat on interest rates. She believes that a Brexit is a decision that would have consequences for the U.S. financial and economic outlook.<sup>8</sup>

After the shocking murder of a British member of Parliament, Brexit polls have swung closer to a "Remain" vote.<sup>9</sup> However, the vote is still too close to call and politicking will continue until the votes are counted. Uncertainty around Britain's possible exit will likely keep markets on edge, and investors should expect continued volatility as we approach the end of the quarter. We'll keep you informed.

### **ECONOMIC CALENDAR:**

**Monday:** International Trade in Goods, Dallas Fed Manufacturing Survey

**Tuesday:** GDP, S&P Case-Shiller HPI, Consumer Confidence

**Wednesday:** Personal Income and Outlays, **Janet Yellen Speaks 9:30 AM ET**, Pending Home Sales Index, EIA Petroleum Status Report

**Thursday:** Jobless Claims, Chicago PMI

**Friday:** Motor Vehicle Sales, PMI Manufacturing Index, ISM Manufacturing Index, Construction Spending

Data as of 6/17/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
<b>Standard &amp; Poor's 500</b>	-1.19%	1.33%	-1.39%	12.58%	6.55%
<b>DOW</b>	-1.06%	1.44%	-1.45%	9.45%	6.05%
<b>NASDAQ</b>	-1.92%	-4.14%	-5.22%	16.69%	12.54%
<b>U.S. Corporate Bond Index</b>	-0.12%	6.32%	6.39%	5.48%	7.83%
<b>International</b>	-2.78%	-7.05%	-14.25%	-0.63%	-0.84%
Data as of 6/17/2016	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
<b>Treasury Yields (CMT)</b>	0.22%	0.37%	0.51%	1.13%	1.62%

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:

**Retail sales beat forecasts.** Stronger-than-expected May retail sales numbers point to renewed demand for automobiles and other goods. Core retail sales, which correspond best with the economic component consumer spending, rose 0.4% after growing 1.0% in April.<sup>10</sup>

**Industrial production falls in May.** Industrial output fell more than expected on declines in utilities and manufacturing output.<sup>11</sup>

**Business inventories increase slightly.** Stockpiles for U.S. businesses edged upward in April, indicating that businesses expect higher demand this summer.<sup>12</sup>

**Housing starts fall.** Groundbreaking on new houses fell in May as construction on multi-family units dropped. However, permits for future construction grew, indicating that the housing sector is still active.<sup>13</sup>



*"My father told me to find something you enjoy doing... If you enjoy your work, then it is not work."*

– Martin Sorrell



## Summer Fruit Cobbler



*Make the most of fresh fruits when they're in season.*

Serves 6

### Ingredients:

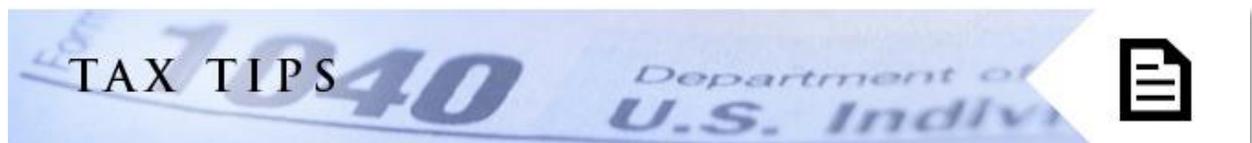
About 1-1/2 pound fresh peaches, nectarines, blueberries, strawberries, blackberries, or other seasonal fruit, rinsed and sliced into small pieces (not necessary for small berries)  
1/3 cup plus 1/4 cup granulated white sugar  
1 1/2 cups plus 1 tablespoon all-purpose flour  
2 teaspoons baking powder  
1/4 teaspoon kosher salt  
1 teaspoon grated lemon zest from an organic lemon  
6 tablespoons cold unsalted butter, cut into pieces  
2 cups heavy whipping cream, cold  
1 teaspoon pure vanilla extract

**Chef's Tip:** Some fruits are sweeter than others. Taste your fruit and consider cutting back on the sugar if you think it's already quite sweet.

### Directions:

1. Preheat your oven to 375° F.
2. Toss the fruit pieces with 1/3 cup of sugar and 1 tablespoon of flour and pour them into a skillet or pie dish.
3. In a medium bowl, combine the rest of the flour and sugar with the baking powder, salt, and lemon zest.
4. Using a pastry cutter, food processor, or two knives, cut the butter into the dry ingredients and mix until coarse crumbs form. Do not allow the butter to melt. Add 3/4 cup of the cream and mix until a loose dough forms.
5. Form balls of dough and drop them over the fruit mixture.
6. Bake the cobbler for about 35 or 40 minutes until the top is golden and the berries are bubbling.
7. Meanwhile, add the vanilla extract to the remaining cream and beat with a hand mixer or whisk until it forms soft peaks.
8. Serve the cobbler topped with the fresh whipped cream.

Recipe adapted from Sara Quessenberry | RealSimple.com<sup>14</sup>



### **Summer Job? Don't Forget About Taxes.**

If your child or grandchild is getting a job this summer, pass along these helpful tips from the IRS:

- Don't be surprised when your paycheck is smaller than you expect. Employers withhold taxes and pay them directly to the IRS.
- Keep in mind that all tip income is taxable, and you must report tip income over \$20 monthly to your employer.
- Even if you don't earn enough from your summer job to owe income taxes, your employer must withhold Medicare and Social Security taxes from your paychecks.
- Any money you earn from working for others is taxable. If you mow lawns, babysit, or earn money outside of a regular job, you may be considered self-employed by the IRS. Speak to your employer about whether he or she will be reporting your wages to the IRS. If you have questions, ask your parents or grandparents to put you in touch with a tax expert.

For more information about tax rules for students and first-time job holders, visit [IRS.gov](https://www.irs.gov) or consult a qualified tax advisor.

Tip courtesy of [IRS.gov](https://www.irs.gov)<sup>15</sup>



### Break The Tee

Bunker shots are tough for many golfers who struggle with the idea of getting the ball out of the sand by driving down and through. To improve your ability to get deep enough, try this simple drill:

Set up your shot using a tee set deeply into the sand. Create a mental image of breaking the tee in half with your club to drive home the importance of driving your clubhead under the sand and accelerating through the swing.

Practice this drill until you are consistently clipping the tee under the ball. Then try a couple of shots using just the ball to see how much your technique has improved.

Tip courtesy of Jeff Johnson, PGA | Golf Tips Mag<sup>16</sup>



### Top Superfoods

You probably know that berries and leafy green vegetables are great sources of important vitamins and minerals; however, you might not know about these other amazing superfoods:

- Matcha is a finely ground green powder that's often used in teas and smoothies. It has tons of antioxidants and boosts your metabolism without giving you the jitters.
- Freekeh is toasted young green wheat that's packed with protein, vitamins, and minerals.
- Chia seeds will add a powerful dose of healthy fats, fiber, and protein to a smoothie.
- Fermented foods like kimchi and sauerkraut are rich in digestive enzymes and active probiotic cultures.

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



## Maximize Your Car's A/C

Like your home air conditioning unit, there are ways to make your car's A/C function more efficiently and increase time between recharges:

- Park in the shade when you can and vent a hot car before firing up the A/C.
- Don't start the A/C on high when the car is still hot.
- Always use recirculation mode to avoid sucking in hot air from outside.
- Shut the A/C off before turning off the car to allow the fan to blow out condensation and prevent mold buildup.

Tip courtesy of Autoevolution<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.

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://www.cnbc.com/2016/06/17/us-markets.html>

<sup>2</sup> <http://finance.yahoo.com/q/hp?s=%5EGSPC&a=05&b=13&c=2016&d=05&e=17&f=2016&g=d>

<http://finance.yahoo.com/q/hp?a=05&b=13&c=2016&d=05&e=17&f=2016&g=d&s=%5EDJI%2C+&q=1>

<http://finance.yahoo.com/q/hp?a=05&b=13&c=2016&d=05&e=17&f=2016&g=d&s=%5EIXIC%2C+&q=1>

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

<sup>3</sup> <http://blogs.wsj.com/economics/2016/06/15/fed-interest-rate-decision-and-janet-yellens-press-conference-live-updates/>

<sup>4</sup> <http://blogs.wsj.com/economics/2016/06/15/parsing-the-fed-how-the-june-statement-changed-from-april-2/>

<sup>5</sup> <http://blogs.wsj.com/economics/2016/06/15/economists-react-to-the-fed-decision-too-many-uncertainties/>

<sup>6</sup> <http://www.cnbc.com/2016/06/15/july-rate-hike-is-still-alive-but-faces-high-hurdles-strategist.html>

<http://www.cmegroup.com/trading/interest-rates/countdown-to-fomc.html>

<sup>7</sup> <http://www.cnbc.com/2016/06/15/july-rate-hike-is-still-alive-but-faces-high-hurdles-strategist.html>

<sup>8</sup> <http://blogs.wsj.com/economics/2016/06/15/fed-interest-rate-decision-and-janet-yellens-press-conference-live-updates/>

<sup>9</sup> <http://www.usatoday.com/story/news/world/2016/06/19/brexit-polls-show-swing-remain-campaigning-resumes/86110136/>

<sup>10</sup> <http://www.foxbusiness.com/markets/2016/06/14/may-retail-sales-beat-expectations-point-to-strong-demand.html>

<sup>11</sup> <http://www.cnbc.com/2016/06/15/us-industrial-production-may-2016.html>

<sup>12</sup> <http://www.foxnews.com/us/2016/06/14/us-business-inventories-edged-up-in-april.html>

<sup>13</sup> <http://www.foxbusiness.com/markets/2016/06/17/may-building-permits-rise-housing-starts-fall.html>

<sup>14</sup> <http://www.realsimple.com/food-recipes/browse-all-recipes/blueberry-cobbler>

<sup>15</sup> <http://www.irs.gov/uac/Tax-Tips-for-Students-with-Summer-Jobs>

<https://www.irs.gov/businesses/small-businesses-self-employed/reporting-tip-income-restaurant-tax-tips>

<sup>16</sup> <http://www.golftipsmag.com/instruction/short-game/lessons/short-game-strokesavers.html?start=3>

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<sup>17</sup> <http://www.aarp.org/health/healthy-living/info-2015/top-superfoods-photo.html>

<sup>18</sup> <http://www.autoevolution.com/news/summer-tips-how-to-effectively-use-your-air-conditioning-81643.html>