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## Stocks Set New Records

Weekly Update – July 18, 2016

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Stocks were up for the third week in a row, posting record highs on better-than-expected earnings results and solid domestic economic data.<sup>1</sup> Since the bottom of the post-Brexit selloff, the S&P 500 has gained 8.06%.<sup>2</sup> For the week, the S&P 500 gained 1.49%, the Dow grew 2.04%, the NASDAQ added 1.47%, and the MSCI EAFE grew 3.65%.<sup>3</sup>

Despite the upbeat data, violence continues to threaten. On Sunday, three police officers were killed in Baton Rouge, Louisiana. On Thursday, a terrorist drove through hundreds of people in Nice, France, killing at least 84. A thwarted coup by Turkey's military on Friday resulted in hundreds of deaths and could lead to political instability after the president rounded up thousands of suspected plotters.<sup>4</sup>

The human cost of violence is incalculable and its effects will be felt by victims for many years to come; however, the effect on markets and economies is measurable. It may seem tasteless to attempt to calculate the cost of terror in dollars and cents, but we should remember that one of the goals of terrorism is to cause financial as well as physical damage.

Some estimates show that 9/11, the largest terrorist attack on U.S. soil, reduced U.S. economic growth by half a percentage point. However, the S&P 500 regained its lost ground within a month.<sup>5</sup> In 2005, when terrorists attacked the London tube, the UK market fell sharply, but recovered within days. The British economy actually rose 0.8% that quarter.<sup>6</sup> Tourist destinations often suffer more from terrorist attacks because they depend on visitors who may choose safer locations.

The effect of terrorism on global financial markets is usually limited. With markets at record highs, it's possible that we could see a pullback as investors sell first and ask questions later. However, the rally is broad-based and is built on solid fundamentals: June hiring data was strong, retail sales are sharply up, and early reads on corporate profits are favorable.<sup>7</sup>

### **Our View**

Our hearts go out to the victims of violence in Baton Rouge, Nice, and Istanbul. While we don't know whether markets will react negatively to renewed security fears, history indicates that markets are quite resilient to violence. Past performance is no guarantee for future results, however, we don't believe that individual attacks are enough to push us into a correction, but headline risk from developing security situations is real.

Though markets reached new highs last week, we should expect continued volatility in the weeks to come. While domestic data is positive, there are plenty of headwinds to give investors pause. Keeping an even keel during both the highs and lows is key to successful long-term investing. As always, we'll keep you updated.

## ECONOMIC CALENDAR:

**Monday:** Housing Market Index, Treasury International Capital

**Tuesday:** Housing Starts

**Wednesday:** EIA Petroleum Status Report

**Thursday:** Jobless Claims, Philadelphia Fed Business Outlook Survey, Existing Home Sales

**Friday:** PMI Manufacturing Index Flash

Data as of 7/15/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
Standard & Poor's 500	1.49%	5.76%	2.58%	12.85%	7.49%
DOW	2.04%	6.26%	2.58%	9.67%	7.24%
NASDAQ	1.47%	0.44%	-1.36%	16.06%	14.69%
U.S. Corporate Bond Index	-0.86%	7.91%	8.35%	5.73%	7.96%
International	3.65%	-3.85%	-12.16%	-0.13%	-0.57%
Data as of 7/15/2016	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.27%	0.42%	0.52%	1.15%	1.60%

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 jump 0.6%.** U.S. retail sales rose more than expected last month, supporting the view that the economy experienced solid growth last quarter.<sup>8</sup>

**Consumer sentiment falls in July.** Americans held a more pessimistic view of the economy in July as they became concerned about future growth.<sup>9</sup>

**Business inventories rise slightly in May.** Stockpiles held by U.S. businesses rose 0.2% in May as retailers restocked to meet buyer demand.<sup>10</sup>

**Beige book shows U.S. economic growth is moderate.** A report issued by the Federal Reserve shows that the economy grew “moderately” in most districts though inflation remains muted.<sup>11</sup>

## QUOTE OF THE WEEK



*"I am not a product of my circumstances. I am a product of my decisions."*

*–Stephen Covey*

## RECIPE OF THE WEEK



### Summer Lemon Curd



*Use fresh lemons to make a luxurious preserve that's great for breakfast.*

Serves 8

#### **Ingredients:**

- 4 large eggs
- 1 cup sugar
- 1 tablespoon finely grated organic lemon zest
- 1/2 cup fresh lemon juice (from 2-3 fresh organic lemons)
- Pinch of Kosher salt
- 1/2 cup (1 stick) unsalted butter, cut into pieces

**Chef's Tip:** Non-organic lemons often have pesticides and other chemicals on the peel that may contaminate the preserve.

## Directions:

1. Fill a medium saucepan with 2 inches of water and set over medium heat.
2. Create a double boiler by fitting a metal bowl into the saucepan so that the bottom does not touch the water. Remove the bowl and bring the water to a simmer.
3. While the water is heating up, whisk the eggs, sugar, salt, zest, and lemon juice together in the bowl until well combined. Add the butter and set the bowl back onto the saucepan.
4. Heat the mixture over the simmering water, whisking constantly, for about 12-15 minutes, until it has thickened to the consistency of yogurt.
5. Using a spatula, push the mixture through a fine-mesh sieve into a small bowl.
6. Cover the bowl with parchment paper, plastic wrap, or wax paper, pushing it directly over the lemon curd, and refrigerate until completely cool. Do not use aluminum foil.
7. Use the curd as a cake or cupcake filling or spread it over crumpets for a delicious brunch treat.

Recipe adapted from Dawn Perry | RealSimple.com<sup>12</sup>



## Selling Your Home?

If you're putting your home on the market, you may be able to avoid paying taxes on some of your capital gains. Here's what IRS regulations say:

- If you show a capital gain on the sale, you may be able to exclude it from your taxes if you have owned and used it as your main home for at least two out of the last five years.
- You can exclude up to \$250,000 (or \$500,000 for joint filers), and the Net Investment Income tax will not apply to the excluded gain.
- You can exclude a gain from the sale of your main home only once every two years.
- If you claimed the first-time homebuyer credit, special rules may apply to the sale.

For more information about tax issues relating to real estate, consult a tax professional in your area or refer to IRS Publication 523, "Selling Your Home."

Tip courtesy of IRS.gov<sup>13</sup>



### **Don't Shift Too Early**

Many golfers lose power in their shots by prematurely lifting their right foot and shifting their weight to the left too early. Boost power and distance by keeping your weight behind the ball and anchoring your right foot before impact, driving more power into the shot. After contact, shift your weight smoothly to the left.

Tip courtesy of Art Sellinger | Golf Tips Mag<sup>14</sup>



### **Bedtime Snacks That Help You Snooze**

Many Americans have trouble falling asleep at night (though regular insomnia needs a physician's care). If you occasionally need help settling down for a snooze, try these foods:

- Almonds have loads of magnesium, a mineral that helps relax muscles and regulate sleep.
- Bananas have tryptophan, the same ingredient found in turkey meat, that has been linked to better sleep quality.
- Cherries are a natural source of the sleep hormone melatonin. Researchers found that study participants who drank a glass of tart cherry juice before bed slept better than the control group.

Tip courtesy of AARP<sup>15</sup>



### **New Windows Can Offer High ROI**

Improvements to boost your home's energy efficiency can be great for your home's carbon footprint but can make a big dent in your wallet. Think carefully about the potential return on investment of any project you take on. New windows can offer more bang for your buck than solar panels or other expensive improvements.

If you have older windows, you may be losing a lot of energy to drafts and low efficiency. Energy-efficient windows can be pricey, but you may be able to recoup your costs through increased home resale value and lower energy bills.

If you're budgeting for new windows, check Energy Star ratings to find out how different windows perform in your climate. That way, you can determine how much you might save on energy bills and pick the windows that suit your design and budget.

Tip courtesy of Houselogic<sup>16</sup>

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*We love being introduced!*

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Diversification does not guarantee profit nor is it guaranteed to protect assets.

International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

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 indices 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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<sup>1</sup> <http://www.reuters.com/article/us-usa-stocks-idUSKCN0ZR18G>

<sup>2</sup> S&P 500 price performance between 06/27/16 and 07/15/16  
<http://finance.yahoo.com/quote/%5EGSPC/history?period1=1466654400&period2=1468555200&interval=1d&filter=history&frequency=1d>

<sup>3</sup>  
<http://finance.yahoo.com/quote/%5EGSPC/history?period1=1467950400&period2=1468555200&interval=1d&filter=history&frequency=1d>

<http://finance.yahoo.com/quote/%5EDJI/history?period1=1467950400&period2=1468555200&interval=1d&filter=history&frequency=1d>

<http://finance.yahoo.com/quote/%5EIXIC/history?period1=1467950400&period2=1468555200&interval=1d&filter=history&frequency=1d>

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

<sup>4</sup> <http://www.telegraph.co.uk/news/2016/07/17/turkey-coup-plot-president-erdogan-rounds-up-thousands-of-soldie/>

<sup>5</sup>  
<http://finance.yahoo.com/quote/%5EGSPC/history?period1=1000094400&period2=1010725200&interval=1d&filter=history&frequency=1d>

<http://www.economist.com/blogs/buttonwood/2015/11/investing>

<sup>6</sup> <http://www.economist.com/blogs/buttonwood/2015/11/investing>

<sup>7</sup> <https://www.zacks.com/commentary/85922/early-read-on-the-q2-earnings-season>

<http://www.foxbusiness.com/markets/2016/07/15/retail-sales-jump-0-6-in-june.html>

<http://www.bls.gov/news.release/empsit.nr0.htm>

<sup>8</sup> <http://www.foxbusiness.com/markets/2016/07/15/retail-sales-jump-0-6-in-june.html>

<sup>9</sup> <http://www.foxbusiness.com/markets/2016/07/15/consumer-sentiment-falls-as-expectations-for-economy-dim.html>

<sup>10</sup> <http://www.foxcarolina.com/story/32453691/us-business-inventories-rose-slightly-in-may>

<sup>11</sup> <http://www.foxbusiness.com/politics/2016/07/13/beige-book-economic-growth-moderate-in-most-districts.html>

<sup>12</sup> <http://www.realsimple.com/food-recipes/browse-all-recipes/lemon-curd-cake-filling>

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<sup>13</sup> <https://www.irs.gov/taxtopics/tc701.html>

[https://www.irs.gov/publications/p523/ar02.html#en\\_US\\_2015\\_publink100011903](https://www.irs.gov/publications/p523/ar02.html#en_US_2015_publink100011903)

<sup>14</sup> <http://www.golftipsmag.com/instruction/driving/quick-tips/anchor-your-right-foot.html#.U9Uo2oBdVsI>

<sup>15</sup> <http://www.aarp.org/health/healthy-living/info-2014/foods-that-help-you-sleep-photo.html#slide5>

<sup>16</sup> <https://www.houselogic.com/remodel/windows-doors-and-floors/replace-old-windows-with-energy-efficient-models/>