
After Summer Slumber, Volatility is Back

Weekly Update – September 19, 2016

Volatility picked up last week due to pressures from lower oil prices and speculation about the timing of the Federal Reserve's next rate hike. This summer has been historically calm for markets, leading markets to trade without big intraday gains or losses.¹ However, Friday broke that streak, possibly ushering in a period of greater volatility as uncertainty looms. For the week, the S&P 500 gained 0.53%, the Dow grew 0.21%, the NASDAQ added 2.31%, but the MSCI EAFE dropped 2.49%.²

The market is facing a dilemma based on mixed information and an uncertain political landscape. On the one hand, economic data is neither weak nor strong enough to make the choice to raise interest rates easy for policymakers. On the other hand, the unpredictable nature of the presidential race contributes to market volatility. Though Fed economists have repeatedly stated their intentions to raise rates soon, no one is certain about the timing of this hike.

The Federal Reserve's Open Market Committee will meet this week to decide whether or not to raise interest rates for the first time since December 2015. The Fed has a dual mandate: to maximize employment and keep inflation stable. Headline unemployment is below the Fed's target of 5.0%, but inflation has remained stubbornly below the Fed's long-run goal of 2.0%.³

Fresh inflation data suggests a warmer trend. Two measures of inflation, the Consumer Price Index (CPI) and Personal Consumption Expenditures (PCE) deflator, rose in recent months, indicating that the economy is getting closer to the Fed's target.⁴ While the increase in inflation might give pro-hike Fed economists ammunition at this week's meeting, many analysts still don't think the Fed will immediately raise rates.⁵

Markets have been pushing new highs recently, and it wouldn't surprise us to see a return to a volatile pattern in the days and weeks ahead. Uncertainty around economic growth, the November elections, Federal Reserve activity, and a future British exit from the EU could cause investors to become more cautious in the weeks ahead. We'll be closely monitoring the overall market climate and will be in touch if we feel any prudent changes to investment strategies are necessary.

ECONOMIC CALENDAR:

Monday: Housing Market Index

Tuesday: Housing Starts

Wednesday: EIA Petroleum Status Report, FOMC Meeting Announcement, Fed Chair Press Conference

Thursday: Jobless Claims, Existing Home Sales

Friday: PMI Manufacturing Index Flash

Data as of 9/16/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
Standard & Poor's 500	0.53%	4.66%	7.21%	15.18%	6.21%
DOW	0.21%	4.01%	8.27%	11.49%	5.68%
NASDAQ	2.31%	4.74%	7.27%	20.00%	13.46%
U.S. Corporate Bond Index	-0.27%	7.67%	8.23%	5.28%	7.50%
International	-2.49%	-3.00%	-3.68%	2.99%	-1.09%
Data as of 9/16/2016	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.20%	0.50%	0.61%	1.21%	1.70%

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 steady in September. A measure of how Americans feel about the economy and their financial prospects remained unchanged between August and September, suggesting households remain upbeat heading into fall.⁶

Retail sales fall unexpectedly. U.S. retail sales fell more than expected in August on weak sales of autos.⁷

Industrial production falls in August. Production in U.S. factories fell 0.4% last month amid a drop in demand for appliances, electronics, and machinery. Cooling demand for big-ticket items could spell trouble this quarter.⁸

Weekly jobless claims rise less than expected. The number of Americans filing new claims for unemployment benefits rose last week, but increased less than economists expected.⁹



"It is not enough to be busy; so are the ants. The question is: What are we busy about?"

– Henry David Thoreau

Broiled Salmon with Mustard and New Potato Salad



Mustard and fennel pair beautifully in this healthful main course.

Serves 8

Ingredients:

- 1 1/2 pounds new potatoes
- Kosher salt and black pepper
- 3/4 cup full-fat sour cream or crème fraîche
- 2 tablespoons fresh lemon juice
- 1 small fennel bulb, washed and thinly sliced
- 4 6-ounce salmon fillets, skin removed
- 3 tablespoons Dijon mustard
- 1/4 cup fresh dill, coarsely chopped

Directions:

1. Scrub the new potatoes. Add them to a pot and fill with cold water until the potatoes are just covered. Add a pinch of salt and bring the pot to a boil. Once the water is boiling, cover the pot and reduce the heat. Cook the potatoes for about 15 minutes until the potatoes can be pierced easily with a knife.
2. While the potatoes are cooking, mix the sour cream and 1 tablespoon of lemon juice with salt and pepper to taste. Remember that potatoes absorb a lot of salt.

3. Drain the potatoes into a colander and rinse with cold water. Slice them into quarters and add them to the sour cream mixture. Add the sliced fennel and combine thoroughly.
4. Move an oven rack to between 6 and 8 inches below the broiler. Turn on your broiler.
5. Mix together the mustard and 1 tablespoon lemon juice and spread over the salmon fillets. Lay the salmon on a broiling tray or a lined baking sheet and broil until it is flaky and done. Depending on the thickness of your fillets, this could be 6 to 8 minutes.
6. Plate each salmon fillet with some salad and garnish with the chopped dill.

Recipe adapted from Sara Quessenberry | RealSimple.com¹⁰



How to Choose a Qualified Tax Professional

If you have a complex tax situation or want help getting the maximum refund possible, you may want to turn to a tax professional to help you with your taxes. Now is a great time to start looking for professional tax help before the year ends and tax season begins. If you're looking for a professional, there are a few things you should look for:

- Check for professional qualifications like an affiliation with a professional organization and a Preparer Tax Identification Number (PTIN). If you have a special tax situation, ask for the preparer's experience helping people in similar circumstances.
- Make sure you understand how your tax preparer is being paid. Avoid those who base their fees on a percentage of the refund. Make sure your refund is sent directly to you from the IRS. Under no circumstances should you allow any funds to be deposited into a third-party account.
- Never sign a blank return. The IRS will hold you personally responsible for any errors or omissions on the return, even when it's prepared by someone else. Always carefully review your return and make sure you understand everything before you sign.

For more information about filing your taxes or help finding a qualified tax professional, please contact our office.

Tip courtesy of IRS.gov¹¹



Keep Your Tempo Consistent

Professional golfers know that keeping a consistent swing tempo is key to hitting consistent shots. Some golfers have a faster tempo than others; but, regardless of club length, the time it takes to swing a club from beginning to end should remain the same.

Many amateur golfers fall into the habit of increasing the speed of their swing to hit longer shots. However, speed and distance come from longer club length, not swing tempo. If you fall into the habit of changing your speed with each club, you won't be able to hit consistently. To test your consistency and practice a steady tempo, try several practice swings with a mid-ranged club, like a 5- or 6-iron. Focus on swinging smoothly and finishing with good form. Tee up to a ball and try a practice shot with the same tempo. Then try a shot with a range of clubs to see if your pace remains consistent.

Tip courtesy of Lana Ortega, LPGA | Golf Tips Mag¹²



Healthful Fall Foods

Enjoy the season's bounty and get some important health benefits along the way:

- Apples are full of important fiber and the peel contains ursolic acid, which is linked to a lower risk of obesity.
- Chestnuts are excellent sources of protein, Vitamin E, and Vitamin C and have many fewer calories and fat than other nuts.
- Brussels sprouts are an important superfood packed with Vitamin C and fiber.
- Turnips are loaded with obesity-fighting nutrients, including fiber, Vitamin C, and calcium, and are much lower in calories than many other starches.

Tip courtesy of AARP¹³



Protect Your Indoor Air

Before turning on your furnace this year, protect your health and boost the efficiency of your heating system by following these steps:

- Have your system serviced regularly to prevent leaks and ensure that the unit is operating efficiently.
- Change out your air filter regularly.
- Install a carbon monoxide detector near the furnace.
- Check your basement or utility closet for standing water, mold, or mildew, which can be blown into the rest of your house.
- Test the system before cool weather arrives so that you have time to fix any problems.

Tip courtesy of AARP¹⁴

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.

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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¹ <https://iplresearch.com/2016/08/29/the-smallest-range-in-five-decades/>

² <http://finance.yahoo.com/quote/%5EGSPC/history?period1=1473393600&period2=1473998400&interval=1d&filter=history&frequency=1d>

<http://finance.yahoo.com/quote/%5EDJI/history?period1=1473393600&period2=1473998400&interval=1d&filter=history&frequency=1d>

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

³ <http://www.bls.gov/news.release/pdf/empisit.pdf>

<http://www.advisorperspectives.com/dshort/updates/2016/08/29/two-measures-of-inflation-and-fed-policy>

⁴ <http://www.cnbc.com/2016/09/16/inflation-jumps-just-when-economy-looked-soft-enough-to-keep-fed-on-hold.html>

<http://www.advisorperspectives.com/dshort/updates/2016/08/29/two-measures-of-inflation-and-fed-policy>

⁵ <http://www.cnbc.com/2016/09/16/inflation-jumps-just-when-economy-looked-soft-enough-to-keep-fed-on-hold.html>

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- ⁶ <http://www.foxbusiness.com/markets/2016/09/16/consumer-sentiment-is-unchanged-in-september.html>
- ⁷ <http://www.foxbusiness.com/markets/2016/09/15/retail-sales-fall-more-than-expected-on-weak-autos.html>
- ⁸ <http://www.foxbusiness.com/markets/2016/09/15/us-manufacturing-output-stumbled-in-august.html>
- ⁹ <http://www.foxbusiness.com/markets/2016/09/15/weekly-jobless-claims-rose-by-1000.html>
- ¹⁰ <http://www.realsimple.com/food-recipes/browse-all-recipes/mustard-broiled-salmon-new-potato-salad>
- ¹¹ <http://www.irs.gov/uac/Tips-for-Choosing-a-Tax-Return-Preparer>
- ¹² <http://www.golftipsmag.com/component/zine/article/96-dont-confuse-fast-with-long.html#.VCaJtymSxt8>
- ¹³ <http://www.aarp.org/health/healthy-living/info-2014/fat-busting-fall-foods-photo.html#slide1>
- ¹⁴ <https://lifereimagined.aarp.org/page/signature/40800-Breathe-Better-All-Winter>