

Though the final week of the third quarter ended positively for the major indexes, stocks took a rocky path to get there. A presidential debate, surging oil prices, and concerns about a global bank all took their toll on the market last week. For the week, the S&P 500 gained 0.17%, the Dow grew 0.26%, the NASDAQ edged up 0.12%, but the MSCI EAFE lost 0.87%.<sup>1</sup>

### **Why did Deutsche Bank affect markets?**

Last week, concerns about one of the world's largest banks caused investors to worry that a new "Lehman moment" might spark a new financial crisis. Germany's scandal-prone banking giant is facing financial penalties in the U.S. for the role it played in the financial crisis; the bank's problems are causing key clients to distance themselves and analysts wonder about the firm's financial health. Investors reacted to Deutsche Bank's woes negatively, setting off a 200-point drop in the Dow Jones Industrial Average on Thursday.<sup>2</sup>

A similar loss of confidence in Lehman Brothers in 2008 caused counterparties (major clients) to ask the cash-strapped firm for their money back, triggering its collapse and the beginning of the financial crisis. However, Deutsche Bank is not Lehman, and the world is a different place than it was in late 2008. International financial institutions are not as dangerously interconnected as they were then, and global regulators are much better positioned to respond to situations that arise.

Markets agreed with that assessment and rebounded on Friday. While news from Deutsche Bank may still create headlines, we think the worst has passed. If you have any questions about Deutsche Bank or other financial firms, please reach out to us so we can respond to your concerns.

### **What does the data say about the economy in the third quarter?**

With the third quarter officially in the rearview mirror, analysts are turning their attention to the data. Here's what we know so far:

The third estimate of second-quarter economic growth showed that Gross Domestic Product (GDP) grew a stronger-than-expected 1.4%, up from initial estimates. Even better, some economists think the economy could have accelerated and grown 2.8% in the third quarter, which would put it closer to the pace we want to see.<sup>3</sup> The latest September data on consumer sentiment, an important indicator of future consumer spending, shows that Americans are more confident in their financial prospects,

possibly opening the door to higher spending in the critical holiday shopping season.<sup>4</sup>

### What might the final months of the year bring?

As we enter the final three months of 2016, markets are contending with some headwinds we're watching. We can expect plenty of headlines around the presidential election as we get closer to November. Political beliefs aside, elections represent a lot of uncertainty, especially with wild-card candidates. Markets may react with relief after election uncertainty resolves; however, concerns about the changes a new administration will bring may also trigger further volatility.

Britain's prime minister announced her intention to begin negotiating the UK's Brexit from the European Union next spring. By 2019, Britain could be a sovereign nation once again, bringing a slew of changes to the EU.<sup>5</sup> Though we don't expect to see too much volatility around the Brexit until next year, it is a political football that could roil markets.

Oil prices might have finally hit bottom and be poised to rally this fall. Major oil producers, including Saudi Arabia and Iran, seem ready to coordinate production to bring oil prices back up. If a pact is made (and held), oil could head back toward \$60/barrel next year, which would bring relief to beleaguered U.S. energy companies.<sup>6</sup> However, higher oil prices could bite consumers by making gas more expensive at the pump. It's likely that oil prices will play a role in market movements in the weeks to come.

The week ahead is packed with data, including the September jobs report, which may factor into future Federal Reserve interest rate decisions. As always, we'll keep you updated.

### ECONOMIC CALENDAR:

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

**Wednesday:** ADP Employment Report, International Trade, Factory Orders, ISM Non-Manufacturing Index, EIA Petroleum Status Report

**Thursday:** Jobless Claims

**Friday:** Employment Situation

| Data as of 9/30/2016      | 1-Week | Since 1/1/16 | 1-Year | 5-Year | 10-Year |
|---------------------------|--------|--------------|--------|--------|---------|
| Standard & Poor's 500     | 0.17%  | 6.08%        | 12.93% | 18.33% | 6.23%   |
| DOW                       | 0.26%  | 5.07%        | 12.43% | 13.55% | 5.68%   |
| NASDAQ                    | 0.12%  | 6.08%        | 14.97% | 23.98% | 13.52%  |
| U.S. Corporate Bond Index | 0.06%  | 8.64%        | 8.05%  | 5.48%  | 7.47%   |
| International             | -0.87% | -0.85%       | 3.48%  | 4.38%  | -1.02%  |

| Data as of 9/30/2016  | 1 mo. | 6 mo. | 1 yr. | 5 yr. | 10 yr. |
|-----------------------|-------|-------|-------|-------|--------|
| Treasury Yields (CMT) | 0.20% | 0.45% | 0.59% | 1.14% | 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:

**New home sales tumble in August.** Sales of newly constructed homes fell 7.6% in August after surging in July to the highest level in nearly nine years. The retreat isn't unexpected and further volatility in the housing sector may occur.<sup>7</sup>

**Durable goods orders slip.** U.S. factories saw fewer orders in August for long-lasting goods like aircraft, appliances, and electronics. However, a core category that represents business investment grew for the third straight month.<sup>8</sup>

**Weekly jobless claims edge higher.** The number of Americans filing new claims for unemployment benefits rose slightly last week but held at stable levels, supporting the view that the labor market continues to improve.<sup>9</sup>

**Pending home sales drop.** The number of homes under contract slumped in August, suggesting that home sales fell across the board. Since pending sales forecast future activity, it's likely the drop in housing activity will be felt in the weeks ahead.<sup>10</sup>



*"Either you run the day, or the day runs you."*

– Jim Rohn

### Fruit and Nut Dessert Focaccia



*Store-bought pizza dough makes this delicious dessert fast and easy to make.*

Serves 4

#### Ingredients:

1 refrigerated ball of white or whole wheat pizza dough  
2 cups seedless grapes, blueberries, or other fresh berry  
½ cup pine nuts, walnuts or almonds, chopped  
4 tablespoons honey  
8 oz. package of cream cheese, room temperature  
½ teaspoon vanilla extract  
Oil or spray for the pan

#### Directions:

1. Preheat your oven to 425° F.
2. Roll the pizza dough into two rounds and place each on a greased baking sheet.
3. Beat together the honey, cream cheese, and vanilla until thoroughly combined.
4. Using a spatula, spread the mixture across each round of dough.
5. Top each focaccia with half of the fruit and nuts.
6. Bake 20 to 25 minutes, rotating pans halfway through, until the dough is golden brown.
7. Serve warm.

Recipe adapted from Kate Merker and Sara Quessenberry | RealSimple.com<sup>11</sup>



### Get Helpful IRS Tips on Social Media

Social media isn't just for connecting with family, friends, and your favorite financial professional. The IRS also uses social media to distribute important tax information and help you stay on top of your taxes.

- The IRS uses **Twitter** to tweet tax-related tips, news, and more. Follow them @IRSnews and @IRSenEspanol. The Taxpayer Advocate Service tweets from @YourVoiceAtIRS.
- **IRS2Go** is a free app where you can check your refund status, get tax updates, or follow the IRS on Twitter. You can download it free from the iTunes app store or the Google Play Store.
- The IRS **YouTube** Channels offer short videos on many tax topics. Videos are available in English, Spanish, and ASL.

Tip courtesy of IRS.gov<sup>12</sup>



### Judge Distances Correctly

If you don't know how to judge distances well, your short game will suffer. Here's a great drill for improving your depth perception: Tee up a ball a moderate distance away from the hole. Evaluate the shot and set up as you normally would. Then, close your eyes and walk toward the hole with your putter in your hand. Stop and point at where you think the hole is. Did you get close? If not, repeat the drill until you can accurately judge the distance.

Tip courtesy of Dan Martin, PGA | Golf Tips Mag<sup>13</sup>



### **Start Your Morning Slowly**

While the early bird may get the worm, starting your morning too quickly may be hard on your health. Researchers at Harvard University found that the risk of a heart attack is highest in the morning when blood vessels are constricted after a long sleep. Instead of jumping out of bed every morning, consider taking your time and enjoying a leisurely pace. Incorporating some easy stretches and a short meditation can help you ease into your day and boost your mental and physical health.

Tip courtesy of AARP<sup>14</sup>



### **Use Aerators to Reduce Water Usage**

How much water do you really need to complete simple household tasks? Probably less than you think. Similar to a low-volume showerhead, a faucet aerator is a simple gadget that screws onto the end of a faucet and reduces the amount of water that comes out. Your local home improvement or hardware store should stock several sizes. Look for a 2.0 GPM aerator for the kitchen faucet and a 1.0 GPM version for your bathroom sinks.

Tip courtesy of Seattle PI<sup>15</sup>

### ***Share the Wealth of Knowledge!***

*Please share this market update with family, friends or colleagues.  
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.

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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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<http://finance.yahoo.com/quote/%5EGSPC/history?period1=1474603200&period2=1475208000&interval=1d&filter=history&frequency=1d>

<http://finance.yahoo.com/quote/%5EDJI/history?period1=1474603200&period2=1475208000&interval=1d&filter=history&frequency=1d>

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

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- <sup>2</sup> <http://www.usatoday.com/story/money/markets/2016/10/02/deutsche-bank-next-lehman-moment/91314698/>
- <sup>3</sup> <http://www.cnbc.com/2016/09/29/gdp-2q-growth-rises-14-percent-in-final-reading-vs-12-percent-estimate.html>
- <sup>4</sup> <http://www.cnbc.com/2016/09/30/consumer-sentiment-for-september-2016.html>
- <sup>5</sup> <http://www.bbc.com/news/uk-politics-37532364>
- <sup>6</sup> <http://www.cnbc.com/2016/09/30/oil-is-testing-50-and-may-yet-scale-to-60-rbcs-croft.html>
- <sup>7</sup> <http://www.foxnews.com/us/2016/09/26/sales-new-homes-tumbled-76-percent-in-august.html>
- <sup>8</sup> <http://www.foxnews.com/us/2016/09/28/orders-for-us-durable-goods-slipped-slightly-in-august.html>
- <sup>9</sup> <http://www.foxbusiness.com/markets/2016/09/29/weekly-jobless-claims-rise-by-3000.html>
- <sup>10</sup> <http://www.foxnews.com/us/2016/09/29/us-pending-home-sales-slump-in-august.html>
- <sup>11</sup> <http://www.realsimple.com/food-recipes/browse-all-recipes/grapepine-nut-dessert-focaccia-recipe>
- <sup>12</sup> <https://www.irs.gov/uac/Get-Tax-Help-with-Social-Media>
- <sup>13</sup> <http://www.golftipsmag.com/instruction/putting/lessons/use-your-senses.html#.VDEfuCmSxt8>
- <sup>14</sup> <http://www.aarp.org/health/healthy-living/info-07-2013/things-to-do-bedroom-activities.html#slide7>
- <sup>15</sup> <http://www.seattlepi.com/news/article/52-tips-for-living-green-1269861.php>