
How Much Will Hurricane Matthew Cost?

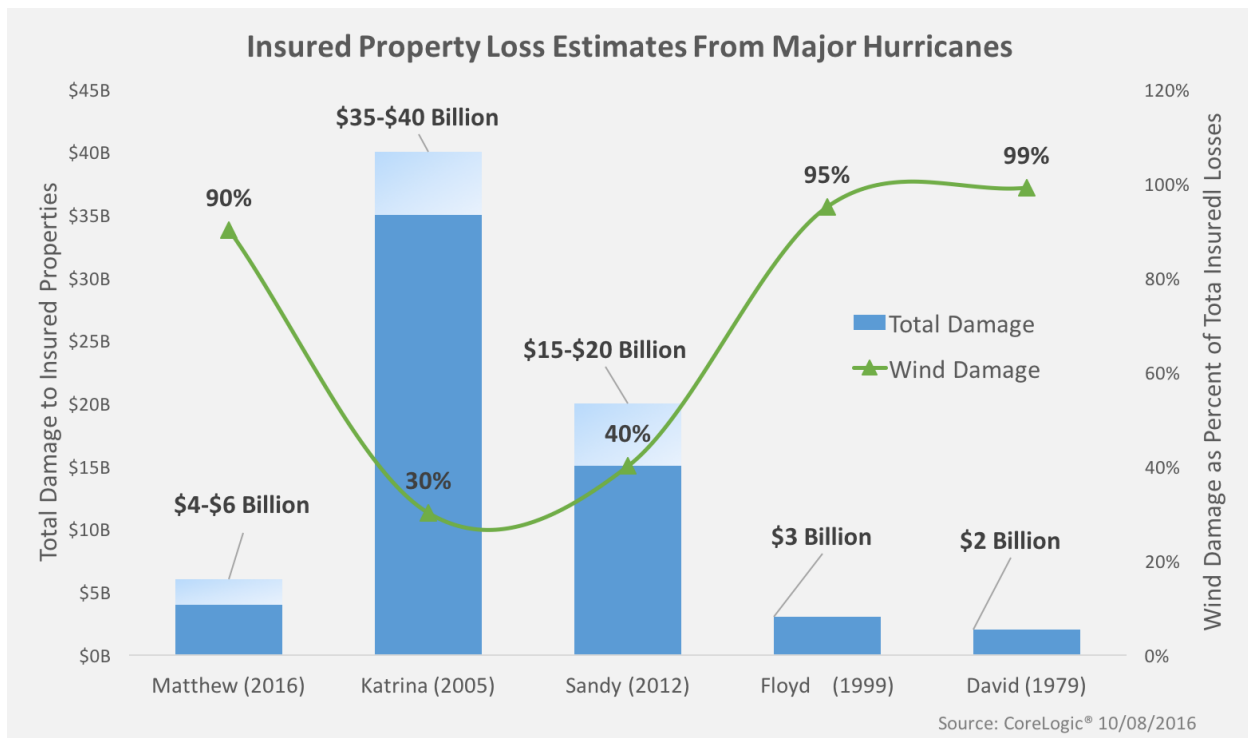
Weekly Update – October 17, 2016

Though stocks rose Friday after statements from Federal Reserve officials, the major indexes ended the week lower amid choppy trading. For the week, the S&P 500 lost 0.96%, the Dow fell 0.56%, the NASDAQ dropped 1.48% and the MSCI EAFE declined 1.40%.¹

Counting the Cost of Hurricanes

Whenever disaster strikes, people often wonder: What's all this going to cost? Though the human toll of injury and death may be incalculable, experts have gotten pretty good at estimating the economic costs of lost production and physical damage due to major storms.

According to one economist, about two-thirds of the economic losses of a hurricane are related to property damage while one third come from economic losses.² The insurance costs of property damage due to Matthew's wind and storm surge are currently estimated to be between \$4 billion and \$6 billion, though those figures may rise as claims start rolling in.³ The chart below shows storm damage estimates for four major hurricanes since 1979.⁴ We can see that Hurricane Sandy and Hurricane Katrina dwarf Matthew in terms of overall damage.



However, Matthew is estimated to have a higher percentage of losses due to wind damage, which could have implications for insurance companies. Damage from storm-caused wind and surge is generally covered under standard homeowner’s and business policies, though they are often subject to high deductibles.⁵

One estimate of Matthew’s overall cost, including evacuations, lost revenue, and other important factors, puts the total cost at over \$10 billion.⁶ Though that figure is a drop in the bucket of the overall U.S. economy, the localized effect of closed businesses, damaged roads, and flooding in affected areas could be devastating. Flood damage is not usually covered, and many hurricane victims don’t have specialized flood insurance.⁷

How much do disasters like Hurricane Matthew affect larger economic questions like Federal Reserve policy? We don’t know how the Fed considers natural disasters, but it’s likely that regional Feds like the Federal Reserve Bank of Atlanta include disaster-related figures in their reports.

Recent comments by Fed officials have left us with a cloudy picture about future interest rates. While it’s clear that many Fed officials believe economic conditions are strong enough to warrant a December rate hike, Fed Chair Janet Yellen isn’t so certain. In a Friday speech, she gave us some insight into the Fed’s reluctance to move on interest rates, saying that anomalies in economic trends leave her inclined to run a “high-pressure economy” to reverse more of the economic damage before it becomes permanent.⁸

ECONOMIC CALENDAR:

Monday: Empire State Manufacturing Survey, Industrial Production

Tuesday: Consumer Price Index, Housing Market Index, Treasury International Capital

Wednesday: Housing Starts, EIA Petroleum Status Report, Beige Book

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

Data as of 10/14/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
Standard & Poor's 500	-0.96%	4.36%	6.96%	14.84%	5.62%
DOW	-0.56%	4.09%	7.17%	11.15%	5.17%
NASDAQ	-1.48%	4.13%	9.02%	19.09%	12.12%
U.S. Corporate Bond Index	-0.23%	7.83%	6.36%	5.55%	7.46%
International	-1.40%	-3.00%	-3.87%	2.61%	-1.38%
Data as of 10/14/2016	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.26%	0.46%	0.66%	1.28%	1.80%

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:

September retail sales rise. Retail sales rebounded 0.6% last month, boosted by auto sales, which could be good news for the holiday shopping season.⁹

Business inventories increase in August. Stocks of goods rose, especially among U.S. retailers, suggesting businesses might be expecting healthy demand for goods this quarter.¹⁰

Consumer sentiment drops to one-year low. A measure of how optimistic Americans are about their financial prospects plummeted this month, suggesting Americans are concerned about the economy ahead of elections.¹¹

Small business confidence falls in September. A measure of confidence among American small-business owners dipped last month as declines in job openings and inventory investment declined.¹²



"Things may come to those who wait, but only the things left by those who hustle."

– Abraham Lincoln

Dulce de Leche Mousse



Make your own dulce de leche in this easy dessert!

Serves 4

Ingredients:

1/4 cup sweetened shredded coconut
1 cup heavy cream
pinch Kosher salt
1/4 cup dulce de leche

Dulce de Leche

1 14-oz can of sweetened condensed milk

Directions:

1. To make the dulce de Leche, heat the oven to 425° F. Heat a kettle of water to boiling.
2. Pour the condensed milk into a pie plate or small oven safe dish. Cover tightly with foil and place it inside a roasting pan. Put it in the oven and carefully fill the roasting pan with the hot water until it comes halfway up the sides of the pie plate. Bake the mixture for approximately 1 1/2 hours, checking and replenishing the water as needed until the milk is thick and golden brown. Cool uncovered.
3. To make the mousse, lower the oven temperature to 325° F. Spread the coconut flakes on a rimmed baking sheet. Toast the flakes, shaking them to toss, for 5-7 minutes until golden.
4. While they are cooling, beat the salt and cream just until soft peaks form. Don't overbeat. Gently fold 1/4 cup of the cooled dulce de leche into the mixture, being careful not to deflate the mixture.
5. Scoop the mousse into individual bowls and chill for at least an hour and up to 8 hours. Serve topped with the coconut flakes and a small drizzle of dulce de leche.

Note: the remaining dulce de leche can be kept sealed in the refrigerator for up to a week and used as an ice cream or yogurt topping or on oatmeal or pancakes.

Recipe adapted from Charlyne Mattox | RealSimple.com¹³



Understanding the Small Business Healthcare Tax Credit

The Small Business Healthcare Tax Credit helps small businesses and tax-exempt organizations afford the healthcare they provide their employees. Your business may be eligible for the credit if:

- Your business has fewer than 25 employees working full time or who work a mix of full and part time.
- The average annual wage paid to employees must be less than \$50,000 (in 2015) and the employer must pay at least 50% of all employees' health insurance premium costs.

Beginning in tax year 2014, the tax credit became worth a maximum of 50% of premiums paid by small business employers and 35% of premiums paid by small tax-exempt employers. If you didn't owe any taxes during the tax year, the credit can be carried back or forward to other tax years.

To learn more about small business tax issues, please contact a qualified tax professional.

Tip courtesy of IRS.gov¹⁴



3-Point Putting Drill

Dialing in your directional control and distance awareness is challenging and takes practice. Use this putting drill to practice control and drop your stroke count. Choose a breaking putt that's between 15 and 40 feet or so. Walk to about the halfway mark and place two tees six inches apart. You get one point for sending the ball between the tees, you get a second point if you can also end within three feet of the hole, and a third point for also sinking the putt.

This drill rewards accuracy, speed control, and perceptual awareness by forcing you to visualize the line the ball needs to take. Adjust the game as you improve by moving the tees, shifting your starting point or moving the tees closer together. The more you play, the better you'll get at identifying and executing the best line to the hole.

Tip courtesy of Dan Martin, PGA | Golf Tips Mag¹⁵



5 Minutes to Better Health

Research shows that short bursts of activity can yield great benefits to health. They get the blood pumping and can help your arteries stay elastic. One study found that just two sessions a week of a high-intensity regimen was able to lower blood pressure by 9%. Here are some ideas for quick exercises that can boost your daily activity level:

- On your daily walks, walk quickly up the hills to increase the intensity and recover on the downhill side.
- On the treadmill, increase the intensity for 60-second bursts, and then recover for several minutes.
- On a stationary bike, do all-out sprints of six seconds, and then recover for several minutes.

Always consult your physician before starting a new fitness regime.

Tip courtesy of AARP¹⁶



Get Green Power from Your Utility

Does your local utility company offer green power? Green power is energy created from renewable, more environmentally friendly resources like solar, wind, geothermal, hydropower, or biomass. Many utility companies will allow you to purchase green power for a small fee each month. The system works by selling green energy into the existing power grid and then allowing consumers to purchase the energy. Supporting green energy allows consumers to reduce their reliance on fossil fuels while encouraging the development of renewable energy sources.

To find out if green power is available in your area, check the Green Power Network at energy.gov.

Tip courtesy of the U.S. Department of Energy¹⁷

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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 <http://finance.yahoo.com/quote/%5EGSPC/history?period1=1475812800&period2=1476417600&interval=1d&filter=history&frequency=1d>
 - <http://finance.yahoo.com/quote/%5EDJI/history?period1=1475812800&period2=1476417600&interval=1d&filter=history&frequency=1d>
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 - <https://www.msci.com/end-of-day-data-search>
 - ² <http://www.usatoday.com/story/weather/2016/10/08/hurricane-matthew-economic-damage-cost-6-billion/91783304/>
 - ³ <http://www.usatoday.com/story/weather/2016/10/08/hurricane-matthew-economic-damage-cost-6-billion/91783304/>
 - ⁴ <http://www.corelogic.com/about-us/news/media-advisory-corelogic-analysis-shows-insured-property-loss-from-hurricane-matthew.aspx>
 - ⁵ <http://www.cnn.com/2016/10/06/do-you-know-if-insurance-policy-covers-hurricane-damage.html>
 - ⁶ <http://www.foxnews.com/us/2016/10/12/closed-us-restaurants-damaged-homes-matthew-may-cost-10b.html>
 - ⁷ <http://www.iii.org/article/settling-insurance-claims-after-a-disaster>
 - <http://abcnews.go.com/US/wireStory/hurricane-matthew-victims-flood-insurance-42783098>
 - ⁸ <http://www.cnn.com/2016/10/14/us-markets.html>
 - <http://www.businessinsider.com/janet-yellen-speech-october-14-2016-2016-10>
 - ⁹ <http://www.foxbusiness.com/markets/2016/10/14/september-retail-sales-rise-0-6-as-expected.html>
 - ¹⁰ <http://www.reuters.com/article/us-usa-economy-inventories-idUSKBN12E1LC?il=0>
 - ¹¹ <http://www.foxbusiness.com/markets/2016/10/14/consumer-sentiment-falls-unexpectedly-in-october.html>
 - ¹² <http://www.foxbusiness.com/markets/2016/10/11/small-business-confidence-dips-in-september.html>
 - ¹³ <http://www.realsimple.com/food-recipes/browse-all-recipes/dulce-de-leche-mousse>
 - ¹⁴ <https://www.irs.gov/affordable-care-act/employers/small-business-health-care-tax-credit-and-the-shop-marketplace>
 - ¹⁵ <http://www.golftipsmag.com/instruction/putting/lessons/use-your-senses.html?start=3#.VFZct9TF9t8>
 - ¹⁶ <http://www.aarp.org/health/healthy-living/info-2014/high-intensity-interval-training-photo.html#slide3>

¹⁷ <http://apps3.eere.energy.gov/greenpower/buying/>