

Last Friday, stocks closed on more record highs. The S&P 500 rose 1.41% and the Dow climbed 1.04%—both closing at new peaks.¹ The NASDAQ reported a 2.58% gain and the MSCI EAFE posted a 2.38% increase.² Despite continuing headlines from Washington, the markets remain productive and strong.³ New Q2 numbers also rolled in last week, giving us a clearer picture of what happened from April through June.

Q2 Coming Into Focus

Over the second quarter, the S&P 500 rose 2.57%, the Dow gained 3.32%, and the NASDAQ jumped 3.87%.⁴ Meanwhile, the MSCI EAFE improved by 5.0%.⁵ Analysts are now predicting that Q2 Gross Domestic Product (GDP) will grow to 2.4%—stronger than Q1's soft 1.4% increase.⁶

While we wait for more numbers and reports, here are some highlights so far:

- **Corporate Earnings:** Corporate Earnings should remain strong for Q2, with an expected S&P 500 earnings growth of 6.5%.⁷ As of July 14, only 6% of S&P 500 companies have reported earnings.⁸
- **Core Consumer Pricing:** Core Consumer Pricing, which measures the price of consumer goods excluding food and energy, remained at 60-year historically low levels. June's numbers increased by only 0.1%—the third month in a row for low rates.⁹
- **Retail Sales:** Retail sales were soft, declining unexpectedly by 0.2% following May's 0.1% drop and April's 0.3% rise.¹⁰
- **Labor Market:** Employers hired at a record increase of 8.3% in May, filling 5.5 million jobs. Consequently, job openings fell in May to 5.7 million from April's strong 6.0 million.¹¹ The strong labor market further reflected in June's low unemployment rate of 4.4%.¹²

On the international front, global economic growth is set to post a predicted 3.0% increase for Q2. Emerging and advanced economies both should record positive results based on strong global trade growth and favorable economic indicators. Both China and Japan are expected to post strong economic growth.¹³

News From Last Week and Looking Ahead

For Q3 and Q4, the economy should continue to produce strong job data and decent housing markets—along with growing investments in businesses. For the year, the economy is expected to expand at an estimated 2.2% in 2017.¹⁴ With that said, consumer sentiment fell to 93.1 in July—much lower than expected.¹⁵ Because

consumer spending makes up more than two-thirds of the economy, the markets will continue to follow consumer attitudes and spending.¹⁶ Given current global economic trends, some analysts expect the global economy to grow by 3.0% for 2017.¹⁷

Finally, Fed Chair Janet Yellen testified before Congress last week. She confirmed that the Fed's reduction in its \$4.5 trillion balance sheet—known as “tapering”—will start later this year. She also suggested that interest rate hikes might continue for a couple of more years.¹⁸ With inflation hovering at 1.4%, however, the Fed may be losing confidence in reaching its targeted goal of an annual 2% increase.¹⁹ Meanwhile, The Bank of Canada has followed the Fed's lead by raising its interest rates 25 basis points to 0.75%—its first raise since 2010.²⁰

As always, we are here to help you navigate the often-complex economic environment. Contact us if you have any questions about how this information may impact your financial life.

ECONOMIC CALENDAR

Monday: Empire State Manufacturing Survey

Tuesday: Import and Export Prices, Housing Market Index

Wednesday: Housing Starts

Thursday: Jobless Claims, Philadelphia Fed Business Survey Outlook, Fed Balance Sheet

DATA AS OF 7/14/2017	1 WEEK	SINCE 1/1/17	1 YEAR	5 YEAR	10 YEAR
STANDARD & POOR'S 500	1.41%	9.85%	13.66%	12.63%	4.71%
DOW	1.04%	9.49%	16.92%	11.11%	4.52%
NASDAQ	2.58%	17.26%	25.39%	16.76%	8.83%
INTERNATIONAL	2.38%	13.94%	15.98%	6.46%	-1.93%
DATA AS OF 7/14/2017	1 MONTH	6 MONTHS	1 YEAR	5 YEAR	10 YEAR
TREASURY YIELDS (CMT)	0.93%	1.12%	1.22%	1.87%	2.33%

Notes: All index returns (except S&P 500) exclude reinvested dividends, and the 5- year and 10-year returns are annualized. The total returns for the S&P 500 assume reinvestment of dividends on the last day of the month. This may account for differences between the index returns published on Morningstar.com and the index returns published elsewhere. International performance is represented by the MSCI EAFE Index. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

QUOTE OF THE WEEK



*“Optimism is the faith that leads to achievement;
nothing can be done without hope and confidence.”*

– Helen Keller

RECIPE OF THE WEEK



Cappuccino Icebox Cake



Serves 8

Ingredients:

8 ounces cream cheese, softened
1½ cup heavy cream, chilled
¼ cup cocoa, unsweetened
1 TBSP espresso beans, very finely ground
1 tsp vanilla extract
½ cup sugar
1 box chocolate wafer cookies
Chocolate sauce or melted chocolate

Directions:

1. Combine cream cheese, cream, cocoa, espresso, and vanilla, and beat with mixer on medium high until you form soft peaks.
2. Add sugar, beating gradually until creating more soft peaks.
3. Use plastic wrap to line an 8.5" x 4.5" loaf pan.
4. Place a layer of cookies onto bottom and sides of pan.
5. Spread half of cream mixture into an even layer in the pan.
6. Add two more layers of cookies.

7. Spread a layer of cream onto the cookies.
8. Add another layer of cookies, and repeat process until you use the full cream mixture.
9. Cover with plastic wrap, and refrigerate overnight.

To Serve:

10. Remove pan from refrigerator, and take off plastic cover. Place a long serving platter on top of the pan, and invert the loaf onto it.
11. Drizzle chocolate sauce (or melted chocolate) onto the cake, and serve. Cake will store for up to 2 days in the refrigerator, covered.

Recipe adapted from Good Housekeeping²¹



Reporting Income from Vacation Property*

Taxpayers who own summer rental properties have specific responsibilities when reporting income. They also have certain expenses they may deduct from their tax returns. Here are some tips for reporting income from rental properties.

Report Income and Expenses

If you rent your home, you may have to file multiple forms.

- **Schedule E:** File Schedule E with your tax return when you report rental income.
- **Net Investment Income Tax:** Determine whether your claims fall under the Net Investment Income Tax liability.
- **Schedule A:** File Schedule A to report deductible expenses for personal use on the rental property.

When to File

If you rent your dwelling for fewer than 15 days a year, you do not need to claim the income on your tax return. For rentals that exceed this timeframe, you need to report all income and expenses to the IRS.

Other details may apply, and you can find more information on [the IRS website](#).

* This information is not intended to be a substitute for specific individualized tax advice. We suggest you discuss your specific tax issues with a qualified tax advisor.

Tip courtesy of IRS.gov²²



Use Words and Rhythm to Drop the Ball in the Cup

Sometimes, golfers just can't find the right rhythm when putting. Without smooth rhythm, jerky and abrupt movements affect the putter face's orientation at impact, and ultimately, the ball's speed. When the putt is longer, the challenges compound and require extra effort to drop the ball in the hole.

Fortunately, you can fix your putt by practicing your swing to the rhythm of three syllables: "perfect pace."

- **Take putter back:** As you swing back, say the word *per-fect* in your mind, and align your swing to its two-syllable rhythm.
- **Swing putter through:** When you swing forward, think the word *pace* in your mind. Align your swing to its one-syllable rhythm.

No matter if you're practicing a short or long stroke, this exercise will help your swing support the right rhythm to drop your ball in the cup. Always remember: Focus on the process, not the outcome.

Tip courtesy of GolfDigest²³



Improve Your Sleep Quality

As people age, sleeping soundly can become more challenging, and interrupted sleep can be common. Waking up multiple times a night may be the result of physical discomforts, such as needing to use the bathroom or having joint pain. Fortunately, you can take some steps to help you enjoy a better night's sleep. Here are ways to improve your sleep quality, so you can slumber soundly all night.

- **Review your medications with your doctor:** Sometimes, medications can affect our sleeping habits. If you are taking prescription drugs, you may want to talk with your doctor about any side effects that may affect your sleep patterns.
- **Limit drinking fluids before bedtime:** Going to bed with a full bladder is a recipe for disrupted sleep. You can help avoid midnight bathroom trips by not drinking anything at least 2 hours before bedtime.
- **Shorten daytime napping:** We can control our sleep cycles by better managing how long we nap during the day. Aim for naps that are 10 – 15 minutes, and stop napping altogether if you find they keep you alert in the later evening.

Tip courtesy of Mayo Clinic²⁴



Cloth or Paper Towels?

For those who want to choose the best eco-friendly towel for the cleaning job, a common conundrum is whether to use cloth or paper towels. Well, the answer isn't cut and dry. While you can reuse cloth towels rather than throw each one away, cleaning them does require energy consumption (electricity, water, etc.). In addition, if you don't properly store them, they can harbor bacteria. Meanwhile, paper towels require cutting down trees. Because they are disposable, the United States wastes 3,000 tons of paper towels each year.

Support your green living with a hybrid cleaning approach that also uses recycled paper towels.

When to Use Cloth Towels

- Wiping dry clean dishes
- Cleaning up spilled water
- Clearing crumbs and dust from counters and shelves
- Drying washed hands

When to Use Recycled Paper Towels

- Cleaning up spilled messes that could spread germs or disease, such as raw eggs (salmonella)
- Soaking up cooking greases from foods, such as bacon
- Wiping surfaces that could carry germs, such as diaper-changing stations
- Cleaning items that could be toxic, such as used paintbrushes

Tip courtesy of Care2.com²⁵

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 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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¹ <http://performance.morningstar.com/Performance/index-c/performance-return.action?t=SPX®ion=usa&culture=en-US>

<http://performance.morningstar.com/Performance/index-c/performance-return.action?t=%21DJI®ion=usa&culture=en-US>

² <http://performance.morningstar.com/Performance/index-c/performance-return.action?t=@CCO>

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

³ <http://www.cnbc.com/2017/07/14/us-stocks-earnings-banks-data.html>

⁴ <http://performance.morningstar.com/Performance/index-c/performance-return.action?t=SPX®ion=usa&culture=en-US>

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⁵ <https://www.msci.com/end-of-day-data-search>

⁶ <https://www.frbatlanta.org/cqer/research/gdpnow.aspx>

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⁷https://insight.factset.com/hubfs/Resources%20Section/Research%20Desk/Earnings%20Insight/EarningsInsight_070717.pdf

⁸https://insight.factset.com/earningsinsight_07.14.17?utm_source=hs_email&utm_medium=email&utm_content=54271802&_hsenc=p2ANqtz-9_kL0yzB9fZRNdOk1k-9UMjLJeJTd90ycA45w2tc-orqRS2m7CHSg6lkPz6j5lSwjmZcVT4iyG8zGhjZvByTrBDHM7Q&_hsmi=54271802

⁹ <http://wsj-us.econoday.com/byshoventfull.asp?fid=477396&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>

¹⁰ <http://wsj-us.econoday.com/byshoventfull.asp?fid=477713&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>

¹¹ <http://wsj-us.econoday.com/byshoventfull.asp?fid=478571&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>

¹² https://www.bloomberg.com/news/articles/2017-07-12/yellen-s-take-on-inflation-shifts-subtly-in-remarks-to-congress?cmpid=BBD071217_BIZ&utm_medium=email&utm_source=newsletter&utm_term=170712&utm_campaign=bloombergdaily

¹³ <http://www.focus-economics.com/regions/major-economies>

¹⁴ <http://www.focus-economics.com/regions/major-economies>

¹⁵ <http://wsj-us.econoday.com/byshoventfull.asp?fid=477847&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>

¹⁶ <http://wsj-us.econoday.com/byshoventfull.asp?fid=477847&cust=wsj-us&wiconly=1&lid=0#top>

¹⁷ <http://www.focus-economics.com/regions/major-economies>

¹⁸ <http://wsj-us.econoday.com/byshoventfull.asp?fid=482143&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>

¹⁹ http://www.cnbc.com/2017/07/12/dovish-yellen-indicates-that-fed-may-not-need-to-hike-rates-much-more.html?__source=newsletter%7Ceveningbrief

<https://www.bloomberg.com/news/articles/2017-07-14/little-change-in-u-s-consumer-prices-shows-modest-inflation>

²⁰ <http://wsj-us.econoday.com/byshoventarticle.asp?fid=482312&cust=wsj-us&year=2017&lid=0&prev=/byweek.asp#top>

²¹ <http://www.goodhousekeeping.com/food-recipes/a38833/cappuccino-icebox-cake-recipe/>

²² <https://www.irs.gov/uac/newsroom/plan-ahead-for-tax-time-when-renting-out-residential-or-vacation-property>

²³ <http://www.golfdigest.com/story/two-simple-words-to-help-drop-the-ball-in-the-cup>

²⁴ <http://www.mayoclinic.org/healthy-lifestyle/adult-health/in-depth/8-ways-to-improve-sleep-quality-as-you-age/art-20270179>

²⁵ <http://www.care2.com/greenliving/should-you-use-a-paper-towel-or-cloth-towel-for-that-mess.html>