

Last week, trade tensions with China lessened somewhat, while the 2nd quarter corporate earnings season started with mixed results. Against this backdrop, domestic stocks experienced sizable growth. By market's close on Friday, July 13, the S&P 500 was above 2,800 for the first time since February 1. Meanwhile, the Dow was above 25,000, and the NASDAQ had hit a new record.¹ For the week, the S&P 500 gained 1.50%, the Dow added 2.30%, and the NASDAQ was up 1.79%.² International stocks in the MSCI EAFE increased as well by 0.16%.³

We are now two weeks into July, which means the 1st half of 2018 is behind us. As we analyze what may be ahead in the markets, we'll also strive to understand what has happened so far this year.

2nd Quarter Update: Key Details to Know

- **Domestic indexes had mixed results.**

At the end of the 1st quarter, the NASDAQ was up by 2.3%, while both the S&P 500 and Dow were in negative territory for the year.⁴ Fast-forward to the 2nd quarter's end, and the Dow was still down with a 1.8% loss between January and June. During the same time period, the S&P 500 gained 1.7% and the NASDAQ added 8.8%.⁵

- **Trade tension persisted.**

Global trade was a major topic throughout the 2nd quarter. In April, the U.S. proposed \$50 billion of tariffs on Chinese products—and China announced its own tariffs in response.⁶ The trade tension also extended to Canada, the EU, and Mexico as the U.S. added tariffs to steel and aluminum imports from these countries.⁷ While this situation attracted significant news coverage, investors were able to put much of their focus on economic details—such as corporate earnings—instead.⁸

- **Interest rates rose.**

In June, the Federal Reserve increased interest rates by 0.25%, which marks the 2nd rate hike so far this year. The Fed gave an optimistic view of the economy and said that two more increases could be ahead in 2018.⁹

- **The labor market stayed strong.**

In May, unemployment hit its lowest level since 2000.¹⁰ June's labor report showed unemployment increasing to 4% but for a positive reason: more people reentering the job market. The latest report also showed better-than-expected job growth.¹¹ Wage increases missed expectations and still have room to expand more quickly.¹² At the same time, their steady pace should help keep inflation in check and interest rate increases continue gradually.¹³

Looking Ahead

More 2nd-quarter data is still to come. Gross Domestic Product may have increased by as much as 5% annually between April and June. That growth rate would be over twice what we experienced in the 1st quarter.¹⁴ We are also at the very beginning of 2nd-quarter corporate earnings season, and analysts predict earnings growth of 20%.¹⁵

Moving into the 3rd quarter, trade will likely continue to be a hot topic, but it's far from being the only detail worth following. As we gain more information about what happened in the 2nd quarter, we will combine those perspectives with the performance we're experiencing now. In the meantime, if you have any questions, we're here to talk.

ECONOMIC CALENDAR

Monday: Retail Sales

Tuesday: Industrial Production, Housing Market Index

Wednesday: Housing Starts

Thursday: Jobless Claims

DATA AS OF 7/13/2018	1 WEEK	SINCE 1/1/18	1 YEAR	5 YEAR	10 YEAR
STANDARD & POOR'S 500	1.50%	4.78%	14.44%	10.76%	8.50%
DOW	2.30%	1.21%	16.08%	10.10%	8.47%
NASDAQ	1.79%	13.36%	24.73%	16.80%	13.33%
INTERNATIONAL	0.16%	-3.81%	3.56%	2.89%	0.51%
DATA AS OF 7/13/2018	1 MONTH	6 MONTHS	1 YEAR	5 YEAR	10 YEAR
TREASURY YIELDS (CMT)	1.87%	2.16%	2.37%	2.73%	2.83%

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



*"Rich people have small TVs and big libraries,
and poor people have small libraries and big TVs."*

— Zig Ziglar



Skillet Cookie Sundaes



Serves 8

Ingredients:

Graham Cracker Layer

6 tablespoons unsalted butter, melted and cooled
¼ cup granulated sugar
1½ cups graham cracker crumbs (from 12 sheets)
¾ cup semisweet chocolate chips

Cookie Dough Layer

1 cup loosely packed dark brown sugar
¾ cup (1½ sticks) unsalted butter, melted and cooled
1 tablespoon pure vanilla extract
1 large egg plus 1 egg yolk
1½ cups all-purpose flour
¾ teaspoon baking powder
½ teaspoon kosher salt
½ cup sweetened shredded coconut
⅓ cup semisweet chocolate chips
Ice cream, for serving

Directions:

Preheat oven to 350°F.

Graham Cracker Layer: Put melted butter and granulated sugar in a medium bowl and mix together. Mix in graham cracker crumbs until moistened. Press the mixture into the bottom of either a 10" cast iron skillet or eight 5" miniature skillets. Spread chocolate chips over the graham cracker crust.

Cookie Dough Layer: Whisk brown sugar and melted butter together in a large bowl. Add vanilla, egg, and egg yolk. Mix until combined. Put in flour, baking powder, and salt. Also mix until it is fully combined. Add coconut and chocolate chips and stir.

Spread the cookie dough evenly over the graham cracker crust. Bake until the cookie dough gets gooey in the middle and golden brown on the edges, 25-30 minutes. Take out of the oven and let it cool slightly. Serve with ice cream and toppings.

Recipe adapted from Good Housekeeping¹⁶



IRS Provides Small Businesses with Tax Videos*

Small business owners looking for tax information can now watch tax videos and webinars by the federal agency.

Video (<https://www.irsvideos.gov/>) topics include:

Starting a Small Business

- New business tips
- Business taxes for the self-employed
- Who should file for Schedule C
- Questions to ask accountants
- Avoiding the big tax mistakes

Business Income

- Business income and expenses
- Recordkeeping
- Tip reporting requirements
- IRS.gov resources

Employers

- General employment tax issues
- Seasonal businesses
- Employing family members
- Proper worker classifications
- Seasonal employees

Filing and Paying Taxes

- Child and daycare provider tax ordinances
- Payment alternatives
- Electronic signature options

A 9-lesson video workshop covers a variety of topics on small business taxes, including paying taxes electronically and establishing retirement plans.

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 that you discuss your specific tax issues with a qualified tax advisor.

Tip adapted from the IRS.gov¹⁷



The Top Golf Fundamental: The Grip

The simple truth: Good shots in golf depend on proper club grip.

Although top golf coaches sometimes give elaborate instructions on the best grips, Michael Jacobs makes it easy. Jacobs is an instructor at Rock Hill Country Club in Manorville, New York, and is listed among the 50 top golf teachers in America by *Golf Digest*.

“Stick out your left (weaker) hand and hold the club like you would a heavy suitcase,” Jacobs wrote in his book, *Elements of the Swing*.

“If you picked up a suitcase, you wouldn’t take the handle diagonally across your palm. You’d let it rest in the creases of your fingers where they attach to your palm.”

Golfers should then place their right (dominant) hand on the grip with their palm up and with the handle running along the top crease in the palm. Curl fingers around the underside. Rest the little finger of the right hand on either the left forefinger or between the forefinger and middle finger.

“Not every ‘classic’ golf tip you hear is necessarily still relevant now, but this one is still true. There’s no reason not to have a great grip. If you start with a bad one, you’re going to have to make compensations in your swing from the beginning.”

Tip adapted from Golf Digest¹⁸



Water: the Elixir for Healthy Living?

Fruits, vegetables, exercise, fresh air, adequate sleep, and plenty of water. They're all good for healthy living, right? While fitting adequate exercise, sufficient sleep, and healthy foods into our daily routines can be challenging, nearly everyone has taken up the call to drink lots of water.

So, what's the scoop on water? Why is it so important?

Some medical authorities say the widely cited rule about drinking at least 8 glasses of water per day is a guideline and is not based on scientific evidence.

But wait, health experts say. Don't put down that water bottle yet.

"Think of water as a nutrient your body needs that is present in liquids, plain water, and foods," said Joan Koelema, a dietitian for the Beverage Institute.

Here are 5 reasons to make sure you're getting your daily water intake:

1. **Drinking water maintains your body fluid balance.** Your body is 60% water. "Through the posterior pituitary gland, your brain communicates with your kidneys and tells it how much water to excrete as urine or hold onto for reserves," said Dr. Steven Guest, a nephrologist with Oakland, California-based Kaiser Permanente.
2. **Drinking water may help you lose weight.** Compared to other drinks, water has no calories.
3. **Drinking water gives your muscles energy.** "When muscle cells don't have adequate fluids, they don't work as well and performance can suffer," Guest said.
4. **Drinking water improves the look of your skin.** "Dehydration makes your skin look more dry and wrinkled, which can be improved with proper hydration," said Dr. Kenneth Ellner, an Atlanta dermatologist.
5. **Drinking water helps your kidneys.** "Your kidneys do an amazing job of cleansing and ridding your body of toxins as long as your intake of fluids is adequate," Guest said.

Tips adapted from WebMD¹⁹



Healthier, Greener Sun Protection

Protecting your skin from the sun's harmful UV rays with sunscreen is smart. But many ingredients in many sunscreen lotions may hurt both your skin and the environment.

Here are the dangers of popular sunscreens and some alternatives.

Millions of species of unusual animals and plants feed on and protect the ocean's coral reefs. Sunscreens may promote viral infection along reefs through coral bleaching.

Experts say tourists release nearly 6,000 tons of petroleum-based sunscreen annually in reef areas. The non-biodegradable lotion strains the reefs and expels the algae, leaving behind a vulnerable skeletal structure, which produces a bleached look.

Oxybenzane and the nanoparticles in sunscreens pose health risks, according to the Friends of the Earth (<https://foe.org>) and Natural Resources Defense Council (<https://www.nrdc.org/>).

So, what can you do protect yourself from the sun while still enjoying the outdoors?

Make sure you take sunglasses, hats, and umbrellas when you're heading outside during midday.

Read labels carefully on sunscreen products for potentially toxic chemicals. For more information on alternatives, go to Environmental Working Group (<https://www.ewg.org/sunscreen/#.WvCnx9MvxOE>) or Friends of the Earth (<http://action.foe.org/content.jsp?key=3060>).

Tip adapted from EarthShare²⁰

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 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.

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://www.cnbc.com/2018/07/13/us-stock-index-futures-banks-earnings-and-trade-woes-in-focus.html>

<https://www.bloomberg.com/news/articles/2018-07-12/asian-stocks-to-follow-u-s-gains-dollar-slips-markets-wrap>

² <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=!DJI®ion=usa&culture=en-US>

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³ <https://www.msci.com/end-of-day-data-search>

⁴ <https://www.cnbc.com/2018/03/29/us-stock-futures-dow-data-tech-and-politics-on-the-agenda.html>

⁵ <https://www.cnbc.com/2018/06/29/us-futures-point-to-triple-digit-rally-at-the-open-despite-gloomy-mark.html>

⁶ <https://www.bloomberg.com/news/articles/2018-07-06/the-trade-war-is-on-timeline-of-how-we-got-here-and-what-s-next>

⁷ <https://www.cbsnews.com/news/canada-eu-steel-aluminum-tariffs-retaliate/>

⁸ <https://www.bloomberg.com/news/articles/2018-06-22/trade-is-an-afterthought-in-stock-market-still-glued-to-earnings>

⁹ <https://www.nytimes.com/2018/06/13/us/politics/federal-reserve-raises-interest-rates.html>

¹⁰ <https://www.npr.org/sections/thetwo-way/2018/06/01/615917917/unemployment-rate-drops-to-3-8-percent-lowest-since-2000>

¹¹ <http://wsj-us.econoday.com/byshoveventfull.asp?fid=485657&cust=wsj-us&year=2018&lid=0&prev=/byweek.asp#top>

¹² <https://www.bloomberg.com/news/articles/2018-07-06/u-s-jobs-report-shows-room-to-run-as-trade-war-threatens-gains>

¹³ <https://www.reuters.com/article/us-usa-economy/u-s-job-growth-underscores-economys-strength-tariffs-a-threat-idUSKBN1JW0EI>

¹⁴ <https://www.reuters.com/article/us-usa-economy/u-s-job-growth-underscores-economys-strength-tariffs-a-threat-idUSKBN1JW0EI>

¹⁵ <https://www.cnbc.com/2018/07/13/us-stock-index-futures-banks-earnings-and-trade-woes-in-focus.html>

¹⁶ <https://www.goodhousekeeping.com/food-recipes/dessert/a47671/skillet-cookie-sundaes-recipe/>

¹⁷ <https://www.irs.gov/newsroom/irs-video-portal-is-one-stop-shop-featuring-tax-information-for-small-businesses>

¹⁸ <https://www.golfdigest.com/story/fix-your-grip-by-the-weekend>

¹⁹ <https://www.webmd.com/diet/features/6-reasons-to-drink-water#1>

²⁰ <http://www.earthshare.org/2009/05/sunscreen-risks.html>