



1300 NW Briarcliff Pkwy, Ste. 120
Kansas City, MO 64150
913.948.6770
816.399.0787

Big Headlines Drive the Markets

Weekly Update – October 31, 2016

At first glance, last week's headlines may lead you to think that the markets are fluctuating more than they actually are. Yes, Hillary Clinton's emails are in the news again (more on that below)—but despite that surprise, the major indexes stuck to the same range-bound performance we've seen for the past three months. The S&P 500 ended down 0.69%, the NASDAQ was off 1.28%, and MSCI EAFE lost 0.44%. The Dow Jones Industrial Index eked out a 0.09% increase.ⁱ

Three Key Events Last Week

1. FBI Announces Renewed Look at Hillary Clinton's Emails

What happened?

On Friday, October 28, FBI Director James Comey sent a letter to Congress alerting them that the agency would be reviewing new Hillary Clinton emails discovered during their investigation of former Congressman Anthony Weiner.ⁱⁱ When news of Comey's letter broke, the major indexes responded quickly—and negatively. For example, the Dow, which had been up 75 points, reacted with a nearly 150-point swing before closing about 10 points lower.ⁱⁱⁱ

What does this mean?

The announcement threw a wrench in an already contentious and exhausting presidential race. Recently, polls showed that Clinton held a solid lead over Trump, and the markets had priced in her win.^{iv} But Friday's news calls this assumption into question, creating greater uncertainty for the next two weeks.

If there's one thing the markets hate, it's uncertainty. And while big headlines rarely affect long-term performance, the markets may react to them in the short run. We expect this story to stay in the news through Election Day—a day we're pretty sure every American is ready to move past.

2. Gross Domestic Product (GDP) Has Biggest Gain in Two Years

What happened?

On Friday, the government announced that GDP — essentially, the economy's scorecard—had 2.9% growth, beating the expectations of 2.5%. Not only is this rate the best we've seen in two years, but it also shows far faster economic expansion than the first two quarters of 2016, when U.S. growth averaged just over 1%.^v

What does this mean?

The economy is growing faster than experts thought, which makes a December interest-rate increase more likely. On Friday, traders showed an 83% likelihood that the Federal Reserve would raise rates at their last meeting of the year.^{vi}

Keep in mind that if the Fed raises rates, they wouldn't be doing so to temper the economy's growth. Instead, they would be using this positive GDP report as further evidence that the economy is strong enough to handle a move toward more normal interest rates.

3. Durable Goods Orders Decline

What happened?

After gaining 0.3% in August and 3.6% in July, durable goods orders dipped 0.1% in September.^{vii} Broadly, durable goods are items that last for more than three years—from a toaster to a tractor—and orders for them help us measure business investment. September orders lowered in a number of categories, including an 8.6% drop in orders for computers.^{viii}

What does this mean?

The drop in durable goods orders is less concerning than it may seem on first glance. Between a strong dollar making U.S. exports more expensive and low oil prices leading energy companies to cut spending, large manufacturing companies have often had to cut their budgets.^{ix} However, many economists believe these factors should be lessening, which can allow durable goods spending to rebound.^x

ECONOMIC CALENDAR:

Monday: Personal Income and Outlays

Tuesday: Motor Vehicles Sales, FOMC Meeting Begins, PMI Manufacturing Index, ISM Mfg Index, Construction Index

Wednesday: ADP Employment Report

Thursday: Jobless Claims, Productivity and Costs, Factory Orders, PMI Services Index, ISM Non-Mfg Index

Friday: Employment Situation, International Trade

Data as of 10/28/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
Standard & Poor's 500	-0.69%	4.03%	1.73%	13.09%	5.44%
DOW	0.09%	4.22%	2.15%	9.70%	5.02%
NASDAQ	-1.28%	3.65%	1.85%	17.92%	12.08%
Aggregate Bond	-0.74%	7.59%	6.25%	5.06%	7.25%
International	-0.44%	-2.95%	-6.25%	1.31%	-1.64%
Data as of 10/28/2016	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.18%	0.49%	0.66%	1.33%	1.86%

Notes: All index returns exclude reinvested dividends, and the 5-year and 10-year returns are annualized. Sources: Yahoo! Finance and Treasury.gov. International performance is represented by the MSCI EAFE Index. Corporate bond performance is represented by the DJCBP. Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

QUOTE OF THE WEEK



“The greatest ability in business is to get along with others and influence their actions. A chip on the shoulder is too heavy a piece of baggage to carry through life.”

– John Hannah (also often attributed to John Hancock)

RECIPE OF THE WEEK



Almond, Pear, and Apricot Tart



This easy tart comes together in less than two hours.

Serves 8

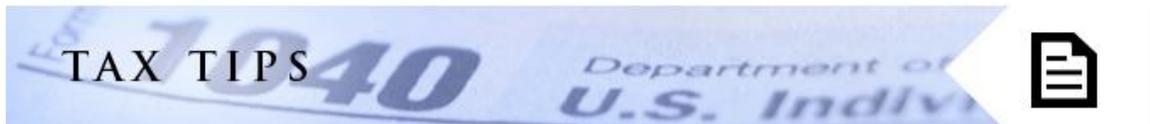
Ingredients:

1/2 cup unsalted butter at room temperature, plus more for the pan (save the butter wrappers)
1/2 cup raw almonds
1/2 cup plus 1 tablespoon sugar
1 large egg
1/2 teaspoon pure almond extract
1 cup all-purpose flour, spooned, and leveled
1/2 teaspoon baking powder
1/2 teaspoon kosher salt
2 pears, peeled, quartered, and cored
1/2 cup dried apricots, halved
1 tablespoon fresh lemon juice
1/4 cup apricot preserves

Directions:

1. Preheat your oven to 350° F. Grease a 9-inch tart pan with a removable bottom using butter wrappers or extra butter.
2. Make the dough by finely processing the almonds and 1/2 cup of sugar using a blender or food processor until the mixture has the consistency of coarse flour. Add the egg, butter, and almond extract and blend the mixture until smooth. Add the flour, baking powder, and salt. Pulse the mixture just a few times to incorporate.
3. Spread the soft dough into the bottom of the greased tart pan.
4. Toss the quartered pears and apricots with the remaining sugar and a tablespoon of lemon juice. Arrange the pears in a circular pattern on the dough, pressing them in slightly. Add the apricots around the pears, also pressing them into the dough.
5. Bake the tart for about 50 to 55 minutes until the pears are soft and a toothpick inserted in the center of the tart comes out clean. If the edges are browning too quickly, cover them with foil and continue baking.
6. After you remove the tart from the oven, combine the apricot preserves with one tablespoon of warm water, whisking to combine. Brush the mixture over the warm tart to give it a sweet glaze.
7. Let the tart cool in the pan before removing it for serving. Serve at room temperature with ice cream or a dollop of chantilly cream. Refrigerate for up to two days.

Recipe adapted from Sara Quessenberry | RealSimple.com^{xi}



Don't Forget to Contribute to Retirement Accounts!

The end of 2016 is coming, and you need to make contributions to your 401(k) or other workplace retirement plan by December 31 for the contributions to count for 2016. You still have until April 15, 2017 to make contributions to an IRA for 2016.

Low- and moderate-income workers can also take advantage of the Retirement Savings Contribution credit, which rewards them for making contributions to IRAs, 401(k)s, and similar retirement plans.

The maximum credit is \$1,000 per taxpayer, though other deductions and credits will reduce the benefit.

With this credit, eligible taxpayers deduct retirement contributions from their Adjusted Gross Income, as usual. On top of that, they can deduct an additional percentage of their contribution, as outlined in this chart:

2016 Saver's Credit			
Credit Rate	Married Filing Jointly	Head of Household	All Other Filers*
50% of your contribution	AGI not more than \$37,000	AGI not more than \$27,750	AGI not more than \$18,500
20% of your contribution	\$37,001 - \$40,000	\$27,751 - \$30,000	\$18,501 - \$20,000
10% of your contribution	\$40,001 - \$61,500	\$30,001 - \$46,125	\$20,001 - \$30,750
0% of your contribution	more than \$61,500	more than \$46,125	more than \$30,750

Though anyone over 18 can apply for the credit, full-time students and those claimed as dependents are not eligible.

Tip courtesy of IRS.gov^{xii}



Drill For Better Balance

Developing a good kinesthetic awareness of your body in space is key to playing a solid round. Focus drills help clear your mind and encourage your body to “feel” its way through each swing. Trying to force a certain result can lead to inconsistent play and frustration.

One of the most important components of a good swing is balance, and incorporating a focus drill before you play can help you loosen your body and avoid distracting thoughts during your swing. Try the following drill to boost focus and balance before your next round of golf:

Without using a ball, set your feet together and take a couple of full, easy swings. Keep trying until you can easily hold your balance. Then, lift your left foot, and do the exercise again, balancing on your right foot. Harder, isn't it? Now try the other foot. Your goal should be to get a feel for the swing's motion and learn to adjust your body to stay balanced. To make the drill even harder, close your eyes while swinging.

Tip courtesy of Dan Martin, PGA | Golf Tips Mag^{xiii}



Two Ways to Help You Swallow Pills

Many Americans struggle to swallow pills—an estimated 40%, according to a 2014 study—and these problems can cause patients to skip doses of medicine or stop taking medication entirely. If you find it difficult to take pills, try these two methods developed by German researchers:

“Pop-Bottle Method:” This method helps with swallowing large tablets. Fill a narrow-necked water or soda pop bottle with water. Place the pill on your tongue and clamp your lips around the mouth of the bottle. Tilt your head back and drink from the bottle, washing the pill down your throat. Keep your lips tight and don’t allow air to get in while you swallow.

“Lean-Forward Method:” This method helps with swallowing large capsules. Place the capsule on your tongue, take a sip of water, and lean your head forward and down as you swallow.

Still having trouble? Ask your doctor if it’s possible to switch to smaller or oval-shaped pills, which may be easier to swallow than large round tablets.

Tip courtesy of AARP^{xiv}



Freshen Your Air Naturally

Many of us enjoy the scent of candles, home fragrances, and air fresheners; unfortunately, they often contain nasty chemicals and additives that can harm your air quality and leave residue on surfaces. If you want to add some lovely smells to your home, try these natural tips:

- Remove unpleasant odors by boiling a pot of water and white vinegar. The vinegar smell fades quickly and will help remove odors from the air.
- Give the air a citrusy scent by simmering orange, lemon, or lime peels in water.
- Simmer cinnamon sticks and other kitchen spices to give the air a spicy kick.
- Create your own scents with high-quality essential oils. Add a couple of drops to clean cloths and leave them around the house.

Tip courtesy of About Home^{xv}

Share the Wealth of Knowledge!

Please share this market update with family, friends, or colleagues. If you would like us to add them to our list, simply click on the "Forward email" link below. We love being introduced!

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Diversification does not guarantee profit nor is it guaranteed to protect assets.

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 indexes from Europe, Australia and Southeast Asia.

The Dow Jones Corporate Bond Index is a 96-bond index designed to represent the market performance, on a total-return basis, of investment-grade bonds issued by leading U.S. companies. Bonds are equally weighted by maturity cell, industry sector, and the overall index.

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.

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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ⁱ <http://finance.yahoo.com/q/hp?s=%5EGSPC&a=06&b=1&c=2016&d=06&e=8&f=2016&g=d>

<http://finance.yahoo.com/q/hp?a=06&b=1&c=2016&d=06&e=8&f=2016&g=d&s=%5EDJI%2C+&ql=1>

<http://finance.yahoo.com/q/hp?a=06&b=1&c=2016&d=06&e=8&f=2016&g=d&s=%5EIXIC%2C+&q|=1>

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

ⁱⁱ <http://www.cnbc.com/2016/10/28/fbi-probing-new-clinton-emails.html>

ⁱⁱⁱ <http://www.cnbc.com/2016/10/28/us-markets.html>

^{iv} <http://www.cnbc.com/2016/10/28/us-markets.html>

^v <http://www.marketwatch.com/story/gdp-hits-29-in-biggest-gain-since-mid-2014-2016-10-28>

^{vi} <http://www.reuters.com/article/usa-moneymarkets-idUSL1N1CY0OC>

^{vii} <http://www.nytimes.com/aponline/2016/10/27/us/politics/ap-us-durable-goods.html>

^{viii} <http://www.nytimes.com/aponline/2016/10/27/us/politics/ap-us-durable-goods.html>

^{ix} <http://www.cnbc.com/2016/10/27/us-durable-goods-orders-sept-2016.html>

^x <http://www.nytimes.com/aponline/2016/10/27/us/politics/ap-us-durable-goods.html>

^{xi} <http://www.realsimple.com/food-recipes/browse-all-recipes/pear-apricot-tart>

^{xii} <https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-savings-contributions-savers-credit>

^{xiii} <http://www.golftipsmag.com/instruction/full-swing/lessons/own-your-focus-best-of-2014.html#.VGjColFF9t8>

^{xiv} <http://blog.aarp.org/2014/11/12/cant-swallow-pills-try-these-2-methods/>

^{xv} <http://greenliving.about.com/od/greenlivingbasics/fl/How-to-Naturally-Freshen-Your-Home.htm>