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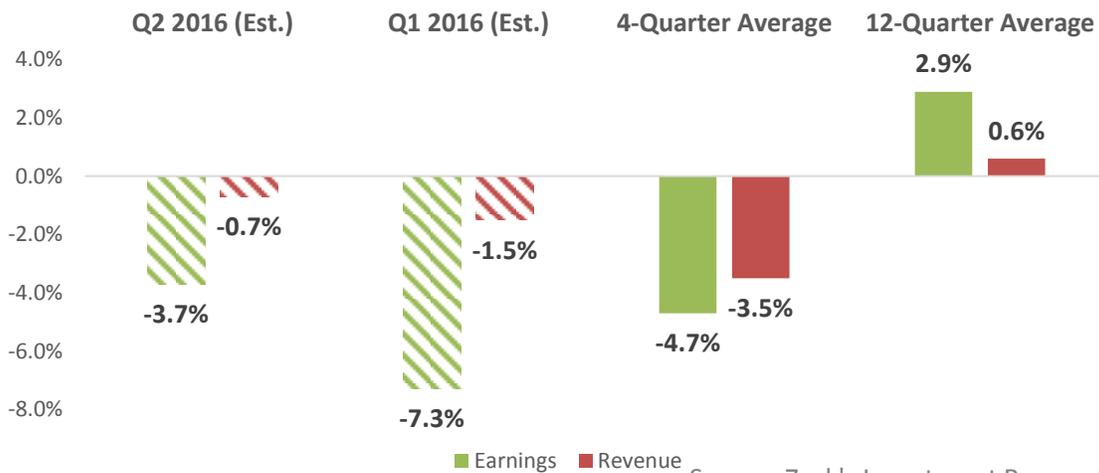
S&P 500, Dow, and NASDAQ Post New Records

Weekly Update – August 15, 2016

Stocks ended last week mostly flat, falling slightly on Friday after the major U.S. indexes set new record highs on Thursday on positive earnings surprises. The NASDAQ also notched a seventh week of gains, its longest winning streak since 2012.ⁱ For the week, the S&P 500 gained 0.05%, the Dow grew 0.18%, the NASDAQ added 0.23%, and the MSCI EAFE grew 2.73%.ⁱⁱ

Earnings season is mostly behind us, and, with nearly all of the S&P 500 companies having reported in, we have a good overall picture of last quarter's performance. Total earnings for the index so far were down 3.7% on -0.7% lower revenues relative to Q2 2015. However, 71.1% have managed to beat profit expectations, which has given stocks a boost in recent weeks.ⁱⁱⁱ

S&P 500 Companies
 Earnings & Revenue Growth Compared



Here's what we can take away from the second quarter:

Though earnings growth is still negative, it's a vast improvement over what we saw in the second quarter from the same group of companies. Results are also better than the 4-quarter moving average. Revenue growth is also negative, showing that many companies are still (seven-plus years into the economic recovery) struggling with slow demand.^{iv}

The energy sector is still a drag on overall earnings. Excluding Energy, earnings for remaining S&P

500 companies would be slightly up 0.1% on 2.4% higher revenues. Though that's a rosier picture, it's still not a stellar performance.^v

Third-quarter earnings growth estimates are steadily coming down, indicating that business leaders are not expecting standout performance. Are companies sandbagging expectations to improve the odds of a positive surprise? That's highly possible. However, we're not expecting to see meaningful growth pick up this quarter.

Next week, we'll get a look at notes from the last Federal Reserve Open Market Committee meeting. Analysts use these meeting minutes to get a sense of what the Fed is thinking about the economy and see how different members of the committee are voting. The rest of the week is also full of important economic releases, which could stoke volatility if we see negative surprises. When markets experienced a sustained rally over a period of weeks, it's not surprising when investors pause for a breather to reevaluate the data.

ECONOMIC CALENDAR:

Monday: Empire State Manufacturing Survey, Housing Market Index, Treasury International Capital

Tuesday: Consumer Price Index, Housing Starts, Industrial Production

Wednesday: EIA Petroleum Status Report, FOMC Minutes

Thursday: Jobless Claims, Philadelphia Fed Business Outlook Survey

Data as of 8/12/2016	1-Week	Since 1/1/16	1-Year	5-Year	10-Year
Standard & Poor's 500	0.05%	6.85%	4.70%	17.06%	7.24%
DOW	0.18%	6.61%	6.75%	12.97%	6.75%
NASDAQ	0.23%	4.50%	3.74%	21.73%	15.43%
U.S. Corporate Bond Index	0.69%	8.70%	8.13%	5.49%	7.93%
International	2.73%	-0.32%	-7.16%	2.68%	-0.66%
Data as of 8/12/2016	1 mo.	6 mo.	1 yr.	5 yr.	10 yr.
Treasury Yields (CMT)	0.27%	0.43%	0.56%	1.10%	1.51%

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:

Consumer sentiment increases in August. A measure of American optimism about the economy increased this month, hopefully supporting future consumer spending.^{vi}

Retail sales remain flat in July. Sales of retail goods remained surprisingly unchanged last month as Americans cut back on purchases, moderating expectations of a surge in consumer spending this quarter.^{vii}

Business inventories rise slightly in June. Business stockpiles edged higher in June as sales surged, suggesting U.S. firms are having an easier time moving products off shelves.^{viii}

Job openings edge higher in June. The number of available jobs rose slightly over May, suggesting moderate growth. An increased number of factory job postings could indicate movement in the manufacturing sector.^{ix}

QUOTE OF THE WEEK



“Life will always be to a large extent what we ourselves make it.”

- Samuel Smiles

RECIPE OF THE WEEK



Ginger Pear Cheesecake



Ginger and fresh pears pair perfectly in this lovely cheesecake.

Serves 8 to 12

Ingredients:

6 tablespoons unsalted butter, melted
1 1/2 cups crushed gingersnaps (about 1 box)
2 ripe pears (any kind), peeled, cored, and sliced 1/8-inch thick
1/4 teaspoon ground ginger
16 ounces cream cheese, at room temperature
1 1/4 cups granulated sugar
2 large eggs, at room temperature
3 teaspoons vanilla extract
1 cup sour cream, at room temperature

Directions:

1. Preheat your oven to 350°F. Combine the melted butter and crushed gingersnaps in a bowl, then press into a 9-inch springform pan. Make sure the crumb mixture covers the bottom and sides completely. Bake the crust for 20 minutes, then set aside to cool.
2. Toss the sliced pears and ground ginger together, then layer the cooled crust with the pears, laying them down in an overlapping pattern.
3. Beat the cream cheese with an electric mixer until fluffy. Add 1 cup of sugar and continue to beat for two minutes. Add eggs one at a time and incorporate into the mixture. Add two teaspoons of vanilla extract last and beat until smooth.
4. Pour the cream cheese mixture over the pear filling, smoothing with a spatula. Bake for about 50 minutes until the top is barely set and jiggles slightly. Set aside, but leave the oven on.
5. In another bowl, beat the sour cream with remaining 1/4 cup sugar and 1 teaspoon vanilla extract. Pour the mixture over the cheesecake and bake for about 10 minutes. Cool on counter until the cheesecake reaches room temperature. Cover with plastic wrap and chill for at least four hours.

Recipe adapted from Sara Quessenberry and Rori Trovato | RealSimple.com^x



Making Money with Your Hobby

Most Americans have hobbies that they enjoy, but some use hobbies to make some side income. For example, eBaying, coin collecting, stamp collecting, antiquing, and many other pursuits can often bring in some extra cash. The IRS requires you to report all income on your taxes, but the rules on deductions and income depend on whether it's a hobby or a business. Here's what the IRS says:

- The easiest way to determine whether your hobby is a business or not, is to think about whether you treat it as a way to make a profit and whether you depend on the income. Consult a qualified tax professional if you have questions.
- You can generally deduct accepted expenses for your hobby, such as the cost of stamps or supplies. However, you can only deduct expenses up to the limit of the income earned by the hobby.

For information on how to itemize your hobby deductions, consult a tax expert^x or read Publication 535, "Business Expenses," on IRS.gov.

Tip courtesy of IRS.gov^{xi}



Assess Putts From Behind the Ball

When you're scoping out the lie for a putt, always do it from directly behind your ball. With your eyes, track along the entire route the ball will take to the hole and make sure that you can see the entire break. If you have a breaking putt, also assess the break from behind the apex of the shot where you can see an overall view of the putt.

Tip courtesy of Glenn Deck, PGA | Golf Tips Mag^{xii}



Foods That Promote Brain Function

Research shows that what you eat can have a major effect on the healthy function of your brain as you get older. Here are several foods that can help boost brain function:

- Beans and green peas are full of B-complex vitamins that can help protect against shrinkage of brain matter.
- Citrus fruits have Vitamin C, which plays an important role in preventing the formation of dementia-related brain plaque.
- Almonds have Vitamin E, which support blood vessel function and may slow the development of Alzheimer's.

Tip courtesy of AARP^{xiii}



Avoid Unnecessary Packaging

Your household produces a lot of waste in the form of plastic packaging, bottles, and refill containers on common household products. Reduce unnecessary waste with these easy tips:

- Buy refillable spray bottles that can be refilled from large-format jugs of product. You'll save money and reduce your trash.
- Choose concentrated versions of detergents and cleaners, and water them down for use in another container.
- Don't use more detergent than needed when doing laundry or washing dishes. In many cases, you can use even less.

Tip courtesy of Good Housekeeping^{xiv}

Share the Wealth of Knowledge!

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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.

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.

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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ⁱ <http://www.cnbc.com/2016/08/12/us-markets.html>

ⁱⁱ <http://finance.yahoo.com/quote/%5EGSPC/history?period1=1470376800&period2=1470981600&interval=1d&filter=history&frequency=1d>

<http://finance.yahoo.com/quote/%5EDJI/history?period1=1470376800&period2=1470981600&interval=1d&filter=history&frequency=1d>

<http://finance.yahoo.com/quote/%5EIXIC/history?period1=1470376800&period2=1470981600&interval=1d&filter=history&frequency=1d>

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

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- ⁱⁱⁱ <https://www.zacks.com/commentary/88093/q2-earnings-season-scorecard>
- ^{iv} <https://www.zacks.com/commentary/88093/q2-earnings-season-scorecard>
- ^v <https://www.zacks.com/commentary/88093/q2-earnings-season-scorecard>
- ^{vi} <http://www.foxbusiness.com/markets/2016/08/12/consumer-sentiment-increases-slightly-in-august.html>
- ^{vii} <http://www.foxbusiness.com/markets/2016/08/12/retail-sales-were-unexpectedly-unchanged-in-july.html>
- ^{viii} <http://www.foxbusiness.com/markets/2016/08/12/u-s-business-inventories-rise-marginally-as-sales-jump.html>
- ^{ix} <http://www.cnbc.com/2016/08/10/june-jolts-report-released-by-the-labor-department.html>
- ^x <http://www.realsimple.com/food-recipes/browse-all-recipes/gingersnap-pear-cheesecake-10000001548233/index.html>
- ^{xi} <https://www.irs.gov/uac/five-tax-tips-about-hobbies-that-earn-income>
- ^{xii} http://www.golftipsmag.com/instruction/putting/lessons/drop-strokes-from-the-green.html#.U_iq5l7DW6U
- ^{xiii} <http://www.aarp.org/health/healthy-living/info-03-2012/foods-may-lower-dementia-risk-slideshow.html#slide1>
- ^{xiv} <http://www.goodhousekeeping.com/home/green-living/go-green-tips#category1-1>