



WEALTH MANAGEMENT GROUP

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Pitre Wealth Management Group Weekly Market Commentary August 10, 2015

The Markets

Back to school...back to higher interest rates?

After a solid July jobs report arrived on Friday – 215,000 new jobs were created and unemployment remained at 5.3 percent – analysts were pretty confident there would be ample support for a Federal Reserve rate increase (a.k.a. liftoff) in September. *Bloomberg* reported the odds of a September liftoff shot from 38 percent to 52 percent just last week.

The pending rate increase was not a surprise, but investors were ruffled and U.S. stock markets moved lower. According to *Barron's*, the Dow Jones Industrial Index has lost value for seven days – its longest losing streak in four years.

However, nobody was reaching for a panic button:

“...The decline in U.S. stocks has raised few alarms in part because it’s been gradual and doesn’t seem tied to any fundamental flaws in the economy. The natural drift of the market now is lower because, frankly, there are few obvious catalysts to lift stocks higher. Large-company U.S. stocks fetch valuations well above their historical averages and their earnings aren’t growing. Paying more for these stocks ahead of a Fed rate increase equates to “fighting the Fed,” a prospect investors look upon almost as favorably as sticking their fingers in an electrical outlet.”

The Fed rate increase is expected to be slow and gradual, but no one is certain what will happen after it begins. Russ Koesterich, Chief Global Investment Strategist at *BlackRock*, expects, “Short-term bonds will be most affected by higher rates, while longer-term bond yields should inch up at a gentler pace. High-dividend stocks that have served as “bond market proxies” are also likely to suffer, but overall, stocks’ reaction to liftoff should be relatively tempered.”

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Data as of 8/7/15	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-1.3%	0.9%	8.8%	14.0%	13.0%	5.4%
Dow Jones Global ex-U.S.	-0.8	1.6	-4.7	5.7	2.8	2.5
10-year Treasury Note (Yield Only)	2.2	NA	2.4	1.6	2.8	4.4
Gold (per ounce)	-0.5	-8.8	-16.7	-12.1	-1.9	9.6
Bloomberg Commodity Index	-1.4	-13.3	-29.2	-14.3	-7.7	-5.7
DJ Equity All REIT Total Return Index	0.0	-0.9	9.3	10.2	12.5	7.7

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

ARE YOU OVERWHELMED AT WORK? Last year, the most popular chapter in Deloitte University Press' *Global Human Capital Trends 2014* report was titled, "the overwhelmed employee." It's not all that hard to understand when you consider just these facts from the 2015 report:

- 100 billion emails are exchanged every day.
- About 14 percent of those emails are vitally important.
- One-fourth of the average workday is spent reading and answering email.
- We check mobile phones 150 plus times each day, on average, for work/personal information.

In addition to technology and round-the-clock work demands, the complexity of workplace practices, processes, and jobs contribute to employee inundation. According to *Deloitte*, approximately three-fourths of survey participants said their workplaces were complex or highly complex.

Now, a new wind is blowing. It's simplification. The *Global Human Capital Trends 2015* report found 10 percent of companies surveyed have programs in place to simplify work practices and another 44 percent plan to put these programs in place.

It's a trend that could have an effect on companies that aren't taking action. The bottom line, according to the report:

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“Technology, globalization, and compliance needs continuously add complexity to work. Left unaddressed, this can lead to an organizational environment that damages employee engagement, lowers quality, and reduces innovation and customer service.”

Companies that are reducing complexity and focusing on what really matters may gain a competitive edge, said *Deloitte*.

Weekly Focus – Think About It

“In the 20th century, the United States endured two world wars and other traumatic and expensive military conflicts; the Depression; a dozen or so recessions and financial panics; oil shocks; a flu epidemic; and the resignation of a disgraced president. Yet the Dow rose from 66 to 11,497.”

--*Warren Buffett, legendary investor*

Best regards,

A handwritten signature in dark ink that reads "Leo Pitre".

Leo A. Pitre, MBA, CFP®, CEP®

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

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* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

* Corporate bonds are considered higher risk than government bonds but normally offer a higher yield and are subject to market, interest rate and credit risk as well as additional risks based on the quality of issuer coupon rate, price, yield, maturity, and redemption features.

* The Standard & Poor's 500 (S&P 500) is an unmanaged group of securities considered to be representative of the stock market in general. You cannot invest directly in this index.

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- * The Standard & Poor's 500 (S&P 500) is an unmanaged index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in 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.
- * Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.
- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
- * Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.
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