



Here's To Your Wealth August, 2015

The Markets:

A confluence of events is hitting the market in August. There have been some surprises like China and its devaluation of its currency, and a reluctant Fed which seems to be changing course on a September rate hike. Media stocks were downgraded by a noted analyst who cited the change in Americans' viewing habits and the possible unbundling of cable TV packages. This sent the media sector into decline. And then there was oil dropping again, now near a multi-year low of about \$40.

We have written about the wide reach of oil before. Of all the variables listed above, China weakness and the plunge in commodities such as oil worries us the most. Oil concerns us because the economic ecosystem of oil stretches far and wide. Some countries rely on oil revenue and commodity exports for their economies to function. Closer to home, banks lend to oil drillers, parts manufacturers, and just about all the players in the oil patch. In addition, about 15% of the high yield debt market is energy related. When a commodity price plunges like oil has in the past few months, the impacts are real. Specifically, emerging market economies and their stock markets have fallen significantly, there has been weakness in the high yield bond market, and now we see declines in our stock market.



Recognized by:

Financial Times
Top 401 Retirement Plan Advisor (2015)

Private Wealth Magazine
as a member of their *Inaugural All-Star
Research Team* (2012)

Washington Business Journal
as one of *Washington's Premier Wealth
Advisors* (2011, 2012, 2013, 2014)

NABCAP
as one of the *Top Wealth Managers* in the
Washington, DC Metropolitan Region (2011,
2012, 2013, 2014)

SmartCEO Magazine
Money Manager Award (2015) and as a *Top
Wealth Manager* (2012)

Consumers' Research Council of America

Throughout the year and in recent years, our market has been able to 'climb a wall of worry' as it was said. But these events, taken in combination, have been too much and we now see the Dow Jones Industrial Average down about 10% from its peak, and as of the August 21st close, the loss for the year is 7.65%. We are disappointed but see no cause for panic. We don't see anything close to the declines of 2008, but we know many people have the experiences of those declines etched into their memories. So we will be keeping a close eye on things. It is helpful to have a wider perspective, and to bear in mind that the last several years have been relatively calm for the U.S. stock market. According to JPMorgan, this bull market has gone 1,418 calendar days without a 10% correction - the third longest such streak in the last half-century.

We are not yet changing our outlook for long term investors. For those investors with a long time horizon, now may be the time to invest with composure and to rely on the power of diversification. If, however, the headlines, keep you up at night, please give us a call.

as one of America's Top Financial Planners
(2010- 2014)

DC Magazine
as a Five Star Wealth Manager (2012)

Financial Advisor Magazine
as an All-Star Research Manager (2012)

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Weekly Update for the Week Ending August 21, 2015

Index	Last Week			One Month		Year-to-Date	
	Close	Net Change	% Change	Net Change	% Change	Net Change	% Change
Dow Jones Global Index	306.58	-17.34	-5.35%	-25.62	-7.71%	-14.28	-4.45%
Dow Jones Industrial Average	16459.75	-1017.65	-5.82%	-1459.54	-8.15%	-1363.32	-7.65%
S&P 500 Index	1970.89	-120.65	-5.77%	-148.32	-7.00%	-88.01	-4.27%
Nasdaq Composite Index	4706.04	-342.19	-6.78%	-502.08	-9.64%	-30.01	-0.63%
S&P MidCap 400 Index	1423.20	-78.52	-5.23%	-73.23	-4.89%	-29.24	-2.01%
Russell 2000 Index	1156.79	-55.90	-4.61%	-97.78	-7.79%	-47.91	-3.98%
MSCI EAFE Index (EFA)	59.92	-4.08	-6.38%	-5.35	-8.20%	-0.92	-1.51%
MSCI Emerging Markets Index (EEM)	32.75	-2.78	-7.82%	-5.77	-14.98%	-6.54	-16.65%
BAML US High Yield Master II Index	1044.80	-8.04	-0.76%	-24.70	-2.31%	-3.38	-0.32%
Above returns exclude dividends. Data Source: Investors FastTrack							



Quote of the Day:

"Friendship and money: oil and water"

~~ Mario Puzo, Author of The Godfather

Potomac Wealth Advisors, LLC

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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*The **Dow Jones Global Indexes (DJGI)** is a family of international equity indexes, including world, region, and country indexes and economic sector, market sector, industry-group, and subgroup indexes created by Dow Jones Indexes a unit of Dow Jones & Company best known for the Dow Jones Industrial Average.

The indexes are constructed and weighted using market value-weighted index. They provide 95 percent market capitalization coverage of developed markets and emerging markets. More than 3000 DJGI indexes provide data on more than 5500 companies around the world. Market capitalization is float-adjusted

*The **DJIA** is a widely followed measurement of the stock market. The average is comprised of 30 stocks that represent leading companies in major industries.

* 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 **NASDAQ** Composite Index is a market-valued weighted index, which measures all securities listed on the NASDAQ stock market.

*The **S&P Mid Cap 400 Index** This Standard & Poor's index serves as a barometer for the U.S. mid-cap equities sector and is the most widely followed mid-cap index in existence. To be included in the index, a stock must have a total market capitalization that ranges from roughly \$750 million to \$3 billion dollars. Stocks in this index represent household names from all major industries including energy, technology, healthcare, financial and manufacturing.

*The **Russell 2000 Index** is a small-cap stock market index of the bottom 2,000 stocks in the Russell 3000 Index

* The **MSCI EAFE** Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. It is maintained by MSCI Barra,^[1] a provider of investment decision support tools; the EAFE acronym stands for **Europe, Australasia and Far East**.

* The MSCI **Emerging Markets Index** is a float-adjusted market capitalization index that consists of indices in 21 emerging economies: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey.

*The **Merrill Lynch US High Yield Master II Index** (H0A0) is a commonly used benchmark index for high yield corporate bonds. It is administered by Merrill Lynch. The Master II is a measure of the broad high yield market, unlike the Merrill Lynch BB/B Index which excludes lower-rated securities.

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