



Here's To Your Wealth September, 2015

The Markets:

Uncertainty is the watchword for 3Q2015 performance in global stock markets. A major driver of uncertainty is the concern about weakness in the Chinese economy and the Chinese stock market decline. There is also uncertainty about the direction and implementation of the Federal Reserve's policy. In addition, oil prices are subject to uncertainty and this has a wide impact including a hit to the high yield bond market. Commodity price declines weaken many emerging economies, and while they may benefit us at the gas pump and serve as a consumer stimulus, low commodity and oil prices cause a lot of pain elsewhere. And, there is uncertainty about how low interest rates are hurting the financial sector, and concern about new government regulation on biotech and drug prices. And we haven't even mentioned the pending change in leadership in the United States U.S. House of Representatives.

These uncertainties keep the US stock market embroiled in turmoil and volatility. After going just about nowhere for the first 6 months of the year, most U.S. stock indexes turned negative as Q3 came to a close. The declines have been mostly in the single digit range, but to a near retiree concerned about generating lifetime income from their savings, these declines may cause concern. If that is the case, it is time to revisit your asset allocation. Please call us if you fall into this category and we can review your holdings. If however, you are a long term investor, we suggest you look beyond interim price fluctuations as the underlying U.S. economy, corporate earnings, and stock market fundamentals remains strong.

Stock markets can handle good news and bad news, but they do not like uncertainty. The stock market is hoping Washington offers clarity around the threatened government shut down, and at this point, the market seems to be urging



Recognized by:

Financial Times
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Private Wealth Magazine
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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
a *Money Manager Award* (2015) and a *Top Wealth Manager* (2012)

the Fed to send a clear signal and begin to slowly raise interest rates. Many market observers, including us at Potomac Wealth Advisors, find it unnecessary and potentially dangerous to keep interest rates at the life support level of zero when we are seven years removed from the 2008 crash, and when the U.S. unemployment rate has declined to 5.1%. The Fed says it sees areas of global concern, while the data, and some politicians, are touting how strong the U.S. economic recovery has been. Here is another area of uncertainty - the Fed saying one thing and Washington saying another. Our advice is to look beyond the daily noise and make sure your investment portfolio is aligned with your long term goals.

Weekly Update for the Week Ending September 25, 2015

Index	Last Week			One Month		Year-to-Date	
	Close	Net Change	% Change	Net Change	% Change	Net Change	% Change
Dow Jones Global Index	296.40	-7.63	-2.51%	1.99	0.68%	-24.46	-7.62%
Dow Jones Industrial Average	16314.67	-69.91	-0.43%	648.23	4.14%	-1508.40	-8.46%
S&P 500 Index	1931.34	-26.69	-1.36%	63.73	3.41%	-127.56	-6.20%
Nasdaq Composite Index	4686.50	-140.73	-2.92%	180.01	3.99%	-49.55	-1.05%
S&P MidCap 400 Index	1388.21	-24.79	-1.75%	36.92	2.73%	-64.23	-4.42%
Russell 2000 Index	1122.79	-40.58	-3.49%	18.69	1.69%	-81.91	-6.80%
MSCI EAFE Index (EFA)	57.46	-1.36	-2.31%	-0.94	-1.61%	-3.38	-5.56%
MSCI Emerging Markets Index (EEM)	32.40	-1.43	-4.23%	0.68	2.14%	-6.89	-17.54%
BAML US High Yield Master II Index	1034.43	-15.17	-1.45%	-7.32	-0.70%	-13.75	-1.31%

Above returns exclude dividends.
Data Source: Investors FastTrack

Quote of the Day:

If there's one thing that's certain in business, it's uncertainty.

~~ Stephen Covey

Mark Avallone and the Potomac Wealth Advisors Team

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.

Consumers' Research Council of America
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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*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,¹¹ a provider of investment decision support tools; the EAFE acronym stands for **Europe, Australasia and Far East**.

* The MSCI **Emerging Markets Indexes** 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.

** Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance.*

**The economic forecasts set forth in the presentation may not develop as predicted and there can be no guarantee that strategies promoted will be successful.*

** Consult your financial professional before making any investment decision.*

**There are risks involved with investing, including possible loss of principal. Investments will fluctuate and may be worth more or less than when originally purchased. Diversification and asset allocation may reduce some risks of investing, but do not guarantee a profit or ensure against a loss in a declining market, they are methods used to manage risk. There is no assurance that any particular strategy will work under all market conditions.*

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