Here's To Your Wealth!

Weekly Market Update from Potomac Wealth Advisors, LLC

April 14, 2014

The Markets

If you're feeling whiplashed from the mid-week collision of good and bad economic news, you're not alone.

On Wednesday, the Federal Reserve's Open Market Committee (FOMC) meeting minutes were released and investors were reassured by what they read. Although the Fed lowered its Gross Domestic Product (GDP) growth projections for the first half of 2014, the minutes indicated real GDP is expected to grow faster over the next few years than it did last year (FOMC Meeting Minutes, Staff Economic Outlook, paragraph 1). In addition, "to support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view that a highly accommodative stance of monetary policy remains appropriate" (FOMC Meeting Minutes, Committee Policy Action, paragraph 2). Reassurance the Fed would not increase the federal funds rate sooner than expected was received with gusto and all three major U.S. stock indices raced ahead finishing the day up more than 1 percent.

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On Thursday, good news about the world's largest economy (United States) ran right into not-so-good news about the world's second largest economy (China). Economic indicators suggested China's economy might be slowing faster than anyone expected. MarketWatch reported, "[China's] Exports fell 6.6% from a year earlier, slower than the more-than-18% tumble in the previous month, but widely missing a Dow Jones survey consensus for a 4.2% gain. Imports were even uglier, plunging 11.3% - more than the 10.1% drop in February - and trailing far behind an expected 2.8% gain." When trading ended on Friday, the Standard & Poor's 500 was down 1.8 percent for the year, the Dow was off 3.3 percent, and the NASDAQ had lost 4.2 percent of its value.

When markets get dramatic, it may be a good idea to stay calm and remember one of the most basic tenets of investing: Buy low, sell high.

Data as of 4/11/14	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-2.7%	-1.8%	14.0%	11.1%	16.2%	4.7%
10-year Treasury Note (Yield Only)	2.6	NA	1.8	3.6	2.9	4.2
Gold (per ounce)	1.6	9.7	-15.8	-3.5	8.2	12.4
DJ-UBS Commodity Index	1.2	8.5	1.0	-7.6	3.8	-1.0
DJ Equity All REIT TR Index	-1.1	8.1	-1.6	10.8	22.9	9.7

S&P 500, Gold, DJ-UBS 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 TR 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.

Why Are "Emerging Markets" so Important? There are a lot of reasons why the emerging markets get a lot of attention. And a simple statistic - population for each country - begins to tell the story. This data is from the World Atlas as of 2012:

Country	Population
China	1,400,000,000
India	1,200,000,000
United States	310,000,000

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Indonesia	234,000,000
Brazil	193,000,000
Pakistan	170,000,000
Nigeria	170,000,000
Bangladesh	164,000,000

The only country on this list that market watchers consider developed is the United States (although China is rapidly moving in that direction). So clearly, when we think of global demand, and a consumer driven global economy, this is why the emerging markets play such an important role. The potential upside for major corporations to be involved with the development of these new markets is enormous. And if you knew that Bangladesh was the world's 8th largest country by population let me know and I will send you a copy of George Harrison's 1971 Concert for Bangladesh.

Weekly Focus - Think About It

"The price of success is hard work, dedication to the job at hand, and the determination that whether we win or lose, we have applied the best of ourselves to the task at hand."

--Vince Lombardi, former Coach of the Green Bay Packers

Best regards,

Mark

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.

Mark Avallone, MBA, CFP®, CRPS®
President
Potomac Wealth Advisors, LLC

15245 Shady Grove Road, Suite 410
Rockville, MD 20850

Phone: 301-279-2221

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Diversification and asset allocation do not guarantee against loss. They are methods used to manage risk.

* 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.
* 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 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 London afternoon gold price fix as reported by the London Bullion Market Association.
* The DJ 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 TR 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.
*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.
* Past performance does not guarantee future results. Investing involves risk, including loss of principal.

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Potomac Wealth Advisors, LLC | 15245 Shady Grove Road | Suite 410 | Rockville | MD | 20850