



Here's To Your Wealth July, 2015

Markets:

When I was growing up in Fort Lee, NJ, my neighborhood was blessed with ethnic diversity (before diversity was cool) and I became good friends Alexei, who was the son of Greek immigrants. In the 1980's Alexei's parents decided to move back to Greece. At the time, he told me that his father wanted to retire so they were going back to Greece to collect a pension. I remember thinking, wow, that must be a lot of money to encourage someone to leave the United States.

I am sure that Alexei's father deserved every penny of his pension, especially since he spent a few years fighting the Nazis. But this experience underscores the current financial turmoil that Greece and possibly greater Europe is facing when governments promise more than they can pay. From our vantage point, Greece can be seen as an academic exercise, or a bank negotiation, or an experiment in social programs. But to the people that live there, serious



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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
as a *Top Wealth Manager* (2012)

problems are developing. And while blaming Angela Merkel may be fashionable, the Greek government has not served its people well. The Citizens are dealing with limited bank withdrawals, lean store shelves, and reduced pensions. And with tourism being about 20% of the Greek economy, it is disconcerting to see that foreigners are now being denied the use of their credit cards as shop owners and restaurants worry about ultimately being paid. As we saw in the Great Depression, and more recently in the debt crash of 2008, the extension of credit is a pillar of capitalism. When that stops, a slowdown is inevitable (one of the reasons why the Fed has made money so cheap the past few years.)

The Greek problems are decades in the making and will not get solved any time soon. The amount they owe relative to their economic size and strength is too onerous to allow them any reasonable repayment schedule. So this drama does not have a happy ending, and one can only hope the human suffering isn't too harsh.

As far as the investment markets, Greece's economy is about the size of Louisiana's - no disrespect to the land that gave us Louie Armstrong and Louis Prima. But unlike 2011 when some of the early Greek default rumblings occurred, the impact now will be negligible. What is more concerning lately is the dramatic decline in the Chinese stock market. Thus far the issue seems to be confined to a major correction in the Chinese stock market, which has shed about 25% since its mid-June peak. The paper wealth of China's super rich has definitely been impacted during this period of extreme volatility. More important, though, may be the underlying state of the Chinese economy, which has dropped from double-digit growth rates to a projected 6% - 7% in the remaining months of this year. An economic slowdown in China could have impacts elsewhere.

Consumers' Research Council of America
as one of *America's Top Financial Planners* (2010- 2014)

DC Magazine
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We are not changing our views that we are still in a bull market for stocks, but the world has a number of growing hot spots and issues that cumulatively are starting to make us look more closely.

Weekly Update for the Week Ending July 2, 2015

Index	Last Week			One Month		Year-to-Date	
	Close	Net Change	% Change	Net Change	% Change	Net Change	% Change
Dow Jones Global Index	328.96	-5.14	-1.54%	-7.00	-2.08%	8.10	2.52%
Dow Jones Industrial Average	17730.11	-216.57	-1.21%	-281.83	-1.56%	-92.96	-0.52%
S&P 500 Index	2076.78	-24.71	-1.18%	-32.82	-1.56%	17.88	0.87%
Nasdaq Composite Index	5009.21	-71.29	-1.40%	-67.31	-1.33%	273.16	5.77%
S&P MidCap 400 Index	1505.76	-26.86	-1.75%	-22.29	-1.46%	53.32	3.67%
Russell 2000 Index	1248.26	-31.53	-2.46%	-3.54	-0.28%	43.56	3.62%
MSCI EAFE Index (EFA)	63.98	-1.76	-2.68%	-2.79	-4.18%	3.14	5.16%
MSCI Emerging Markets Index (EEM)	39.78	-0.15	-0.38%	-1.34	-3.26%	0.49	1.25%
BAML US High Yield Master II Index	1077.06	-1.54	-0.14%	-12.57	-1.15%	28.88	2.76%

Above returns exclude dividends.
Data Source: Investors FastTrack

Quote of the Day:

"The real destroyer of the liberties of the people is he who spreads among them bounties, donations and benefits."

~~*Plutarch* (Historian of the 1st century BC)

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** 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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