RAI WEALTH™

Commentary

August 31, 2015

**The Markets**

U.S. stock markets finished last week higher than they started it, but the five-day ride was awfully bumpy.

Concerns about China's slowing growth, shifting currency valuations, and falling stock markets, coupled with uncertainty about the Federal Reserve's next monetary policy move, contributed to malaise in world markets early last week.

After falling by about 6 percent the previous week, U.S. stocks spiraled even lower early last week. They flirted with correction status (a correction is a 10 percent drop from previous highs) before moving higher.

By midweek, markets were on the rebound, bolstered in part by the comments of New York Fed President William Dudley who indicated a September rate hike might not be all that compelling. Strong U.S. economic data also soothed some investors. *Barron's* reported:

"The economic data, however, have been good enough to suggest that the market is too pessimistic. There was that strong second-quarter gross-domestic-product reading, which even included signs of stronger capital spending, while good housing data suggest that third-quarter GDP could be better than many observers expect."

Market whiplash left investors feeling pretty shaky, as did late-week comments from Fed Vice Chairman Stanley Fischer who indicated it was too soon to know what the Fed would decide about interest rates in its September meeting. He indicated the decision would depend on economic data that is still being collected.

While the market's end of week bounce was welcome, *The Wall Street Journal* reported traders and investors appear to be ready for additional volatility.

Whether markets are volatile or calm this week, it's important to remember that it's impossible for any of us to control what happens in Washington, on Wall Street, or on Main Street. We can, however, control how we prepare for and respond to market volatility. As you know, we believe thoughtful goal identification, risk tolerance education, and a disciplined approach can help investors reach their long-term financial goals.

We understand that market volatility is uncomfortable, but it is not unusual or unexpected. If you have any questions or would like to discuss recent events, please contact your financial advisor.

| Data as of 8/28/15 | 1-Week | Y-T-D | 1-Year | 3-Year | 5-Year | 10-Year |
|---|---|---|---|---|---|---|
| Standard & Poor's 500 (Domestic Stocks) | 0.9% | -3.4% | -0.4% | 12.2% | 13.7% | 5.1% |
| Dow Jones Global ex-U.S. | 0.0 | -4.9 | -13.2 | 3.3 | 2.5 | 1.9 |
| 10-year Treasury Note (Yield Only) | 2.2 | NA | 2.3 | 1.6 | 2.6 | 4.2 |
| Gold (per ounce) | -1.9 | -5.4 | -12.2 | -12.0 | -1.9 | 10.2 |
| Bloomberg Commodity Index | 1.8 | -14.4 | -29.3 | -14.8 | -7.5 | -6.2 |
| DJ Equity All REIT Total Return Index | -2.9 | -4.7 | 2.1 | 8.5 | 12.8 | 7.0 |

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.

**HOW BAD IS TRAFFIC CONGESTION IN THE UNITED STATES?** It's so bad, the average American spends the equivalent of about five vacation days sitting in traffic every year – and that's just the tip of the iceberg.

As it turns outs, the Great Recession had a silver lining – less traffic and less congested roads. Today, according to researchers at the Texas A&M Transportation Institute, employment is up and so is the number of commuters on the road:

"According to the *2015 Urban Mobility Scorecard*, travel delays due to traffic congestion caused drivers to waste more than 3 billion gallons of fuel and kept travelers stuck in their cars for nearly 7 billion extra hours – 42 hours per rush-hour commuter. The total nationwide price tag: $160 billion, or $960 per commuter."

Of course, in some cities, people spend a lot more time inching along freeways. In Washington, D.C., drivers spend about 82 hours each year commuting; in Los Angeles, 80 hours; in San Francisco, 78 hours; and in New York, 74 hours. Across the nation, by 2020, commuter delays are expected to increase from 42 hours to 47 hours on average, raising the cost of congestion from $160 billion to $192 billion.

What's to be done? Cities like Singapore, London, San Diego, Stockholm, and Milan have adopted "congestion pricing." In San Diego, express toll-lanes allow drivers to bypass gridlocked free lanes, if they are willing to pay a fee. Other cities have cordon pricing. Drivers are charged a fee each time they enter a congested area, such as a city center. The state of Oregon is charging per mile driven (a system the state may use to replace fuel taxes in the future) and may begin to charge a higher rate for miles traveled during periods of congestion on heavily used roads.

**Weekly Focus – Think About It**

"If opportunity doesn't knock, build a door."

*--Milton Berle, Comedian*

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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.
* 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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* Past performance does not guarantee future results. Investing involves risk, including loss of principal.
* You cannot invest directly in an index.
* Consult your financial professional before making any investment decision.
* Stock investing involves risk including loss of principal.


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