RAI WEALTH

Commentary

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The Markets

Isn't it remarkable that China's growth is so consistent?

A columnist from *The Washington Post* once opined that China "produces an astonishing number of astonishing numbers." Last week's GDP announcement, which helped push markets higher, may fall into that category.

China's official statistics agency reported the country's gross domestic product (GDP) grew by 6.7 percent during the first quarter of 2016. That didn't come as a big surprise because it's smack-dab-in-the-middle of the official Chinese government target of 6.5 to 7.0 percent GDP growth. The target was set last year when the government adopted its most recent five-year plan.

Not everyone thinks China's official statistics are on the money. *The Conference Board (TCB),* an independent global research association, has found:

"…an upward bias in the previously published GDP growth series of, on average, 2.6 percentage points per year since the start of Deng Xiaoping's so-called "reform era" that began in 1978, this percentage has not been constant over time. In fact, our alternative series indicates much larger volatility in the year-on-year estimates (sometimes even showing faster growth rates than the official estimates), suggesting that the impacts of external and internal shocks on the Chinese economy are much more pronounced than the official statistics convey."

In other words, China's growth may not be as steadfast and unwavering as the country's government would have us believe.

TCB estimated China's GDP grew by 3.7 percent during 2015, which was significantly lower than the Chinese government's 6.9 percent growth estimate. In fact, TCB expects the Chinese economy to grow by 3.7 percent in 2016, too. It's not 6.5 percent, but it's solid growth.

Data as of 4/15/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.6%	1.8%	-1.2%	10.3%	9.5%	4.9%
Dow Jones Global ex-U.S.	3.3	0.7	-13.0	-0.6	-1.6	-0.3
10-year Treasury Note (Yield Only)	1.8	NA	1.9	1.7	3.4	5.0
Gold (per ounce)	-1.0	15.5	2.9	-4.2	-3.6	7.2
Bloomberg Commodity Index	1.7	2.3	-20.8	-14.8	-14.0	-7.4
DJ Equity All REIT Total Return Index	0.2	6.0	7.2	9.1	11.4	7.2

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.

WHAT DO ECONOMISTS THINK? As they've traveled across the country, U.S. Presidential candidates have made a variety of economic proposals and promises. *National Public Radio's Planet Money* asked 22 economists from across the political spectrum for their two cents on the matter. Survey participants were given three options: good, debatable, or bad. Here are their opinions:

1. End the "carried interest" tax break, which benefits hedge fund managers and private equity executives.
* Good: 20
* Debatable: 2
* Bad: 0

2. Lower the corporate tax rate to 25 percent.
* Good: 10
* Debatable: 10
* Bad: 2

3. Create a "National Infrastructure Bank" seeded with public money to help finance infrastructure projects.
* Good: 10

* Debatable: 8
* Bad: 4

4. Make tuition free at public colleges and universities.
* Good: 1
* Debatable: 1
* Bad: 20

5. Make tuition free at community colleges for students who contribute earnings from working 10 hours a week.
a. Good: 5
b. Debatable: 9
c. Bad: 8

6. Impose a "spectator tax." Stock trades will be taxed at 0.5 percent and bonds at 0.1 percent.
a. Good: 4
b. Debatable: 6
c. Bad: 12

7. Raise the federal minimum wage to $15 an hour.
a. Good: 2
b. Debatable: 4
c. Bad: 16

8. Remove single taxpayers who earn less than $25,000, and married taxpayers (and those filing jointly) who earn less than $50,000 – approximately over 50 percent – from the tax rolls.
a. Good: 2
b. Debatable: 9
c. Bad: 11

9. Everyone pays the same 10 percent tax rate. It retains some version of the earned income tax credit and deductions for lower-income families.
* Good: 1
* Debatable: 0
* Bad: 21

10. Expel immigrants who are in the United States illegally.
* Good: 0
* Debatable: 0
* Bad: 22

We'll find out what the American people think later this year!

Weekly Focus – Think About It

"And along the way I discovered that a lot of great originals in history were procrastinators. Take Leonardo da Vinci. He toiled on and off for 16 years on the Mona Lisa. He felt like a failure. He wrote as much in his journal. But some of the diversions he took in optics transformed the way that he modeled light and made him into a much better painter."

--Adam Grant,

Organizational psychologist

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* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
* 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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