RBF Weekly Market Commentary
July 14, 2014

The Markets

Germany may have clobbered Brazil in the World Cup quarterfinals last week, earning a chance to become the first European team to win the event in Latin America, but things back home in Europe weren't quite so rosy.

First, a sizeable Portuguese bank startled investors when it failed to make an interest payment on its short-term debt. Investigators have found financial irregularities at the bank's parent company and don't believe the problem is systemic, according to *Barron's*.

> "…but jittery investors didn't hang around to find out the true picture. The missed bond payment sparked an indiscriminate selloff among financials across Europe. Banks in countries at the periphery of the euro zone were particularly hard hit, but the ripples washed over markets at the core, too."

In addition, *Reuters* reported a Spanish bank cancelled its bond offering and Greece was only able to place one-half of its debt issue as a wake of uncertainty about Europe's financial system buffeted investors.

Worries in Europe intensified when industrial production numbers came in below expectation. In Germany, production fell by 1.8 percent. In France, it was off by 1.7 percent, in Britain by 1.3 percent, and in Italy by 1.2 percent. Weak industrial production is a sign the European economy is struggling to find solid footing. By the end of last week, European financial companies had lost 3.7 percent of their value and the Stoxx Europe 600 Index was down 3.2 percent.

U.S. markets moved lower last week, too, as reminders of Europe's banking crisis renewed investor fear. *Barron's* suggested investors' skittishness also had something to do with the fact that Standard & Poor's 500 Index has not experienced a 10 percent correction for more than two years. Corrections typically occur about every 25 months helping to, "…wipe out some of the frothy sentiment, reset expectations, and prepare the way for another move higher."

Data as of 7/11/14	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.9%	6.5%	17.5%	14.3%	16.9%	5.9%
10-year Treasury Note (Yield Only)	2.5	NA	2.6	2.9	3.4	4.4
Gold (per ounce)	1.3	11.1	3.9	-5.0	8.0	12.6
Bloomberg Commodity Index	-3.0	3.5	1.2	-6.6	2.7	-1.1
DJ Equity All REIT Total Return Index	0.9	17.1	9.3	11.2	24.6	9.5

S&P 500, 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 IS THE VALUE OF HIGHER EDUCATION? DOES IT JUSTIFY THE COST? It appears the value of education is in the eye of the beholder. Aristotle thought education was about learning to think. He said, "It is the mark of an educated mind to entertain a thought without accepting it." Nelson Mandela, who helped lead South Africa out of apartheid, said, "Education is the most powerful weapon you can use to change the world." Ben Franklin wrote, "An investment in knowledge pays the best interest." On the other hand, Abe Lincoln was self-educated and Mark Twain belittled school boards.

The cost and value of higher education have become issues for debate in recent years. During the 2013-14 school year, the average cost of tuition, room and board, and fees at a four-year public, in-state university was more than $18,000 per year or about $72,000 for four years. At a four-year private non-profit university, the cost was almost $41,000 per year or about $164,000 over four years. That's a hefty chunk of change even without adding the interest owed on student loans and it has left some parents and students wondering whether it was money well spent.

James Altucher, a venture capitalist, Cornell graduate, and father of two young children, wrote an article questioning the value of college. He suggested young people choose not to attend college and instead start businesses, travel the world, and create art, among other things. He has since become one of the leaders of the 'anti-college' crusade, said *New York Magazine*. When asked about his stance on higher education, he told the publication he was trying to reduce demand for college so costs would go down.

Skipping college may not be the best idea. As it turns out, more than 98 percent of the world's millionaires went to college, according to a 2013 study from *Spear's* magazine and *WealthInsight*, a consultancy group. Just over one percent took a pass on higher education or dropped out before graduating. The dozen colleges and universities with the most millionaire alumni are:

- Harvard University
- Harvard Business School
- Stanford University
- University of California
- Columbia University
- University of Oxford
- Massachusetts Institute of Technology
- New York University
- University of Cambridge
- University of Pennsylvania
- Cornell University
- University of Michigan

Millionaires who participated in the survey typically studied engineering, business, economics, and law, although many did not pursue careers in their fields of study. According to a *Spear's* editor, "Entrepreneurs, who ultimately end up being the wealthiest in the world, are innovators, and the top subjects are those which encourage new and smart thinking, whether technical or financial."

Weekly Focus – Think About It

"It had long since come to my attention that people of accomplishment rarely sat back and let things happen to them. They went out and happened to things."

--Leonardo da Vinci, Italian inventor

Best regards,

Tony Kalinowski

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* Investing in foreign securities involves special additional risks. These risks include, but are not limited to, currency risk, political risk, and risk associated with varying accounting standards. Investing in emerging markets may accentuate these risks.
*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 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.
* Economic forecasts set forth 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.
* 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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