

RBF Weekly Market Commentary May 26, 2015

The Markets

You could have set the events of last week to music.

Should they stay or should they go?

Last week, the Bank of England (BOE), Britain's central bank, inadvertently sent a memo describing how staffers should handle press inquiries about its confidential research into the possibility of a British exit (Brexit) from the European Union, to the media. Oops.

The possibility of a Brexit is top-of-mind after the re-election of British Prime Minister David Cameron who promised voters a referendum on the issue by the end of 2017. *Reuters* reported, "Many British business leaders are worried about the possibility of losing access to their main export markets and there are also concerns about the impact on Britain's financial services industry."

There is no job too immense when you've got confidence.

Just before the long holiday weekend, while confirming the Federal Reserve still expects to begin raising its benchmark interest rate during 2015, Chairwoman Janet Yellen's comments took a philosophical turn:

"Of course, the outlook for the economy, as always, is highly uncertain. I am describing the outlook that I see as most likely, but based on many years of making economic projections, I can assure you that any specific projection I write down will turn out to be wrong, perhaps markedly so. For many reasons, output and job growth over the next few years could prove to be stronger, and inflation higher, than I expect; correspondingly, employment could grow more slowly, and inflation could remain undesirably low."

Money, it's a gas.

When oil prices fell, many people assumed consumers would spend the windfall. For the most part, they didn't. *Barron's* reported earnings for several retailers were lower than expected last week.

All in all, it wasn't a very exciting week for U.S. stock markets.

Data as of 5/22/15	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.2%	3.3%	12.3%	17.3%	14.6%	5.9%
Dow Jones Global ex-U.S.	-0.7	8.6	0.4	10.1	6.7	3.9
10-year Treasury Note (Yield Only)	2.2	NA	2.6	1.8	3.2	4.1
Gold (per ounce)	-1.3	0.4	-7.3	-8.7	0.3	11.2
Bloomberg Commodity Index	-2.7	-1.8	-24.4	-8.7	-3.8	-3.6
DJ Equity All REIT Total Return Index	-1.2	-0.6	12.5	12.9	15.1	7.9

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.

CHANGING WAGES. The federal minimum wage remains at \$7.25. However, last week, the Los Angeles city council voted to raise the city's minimum wage from \$9 to \$15 an hour. The increase will be implemented gradually between 2015 and 2020. It is hoped higher wages for minimum wage workers will help address cost-of-living issues that affect LA's poorer residents, according to *The Economist*.

Did the minimum wage really need to increase by two-thirds? According to the *Massachusetts Institute of Technology (MIT) Living Wage Calculator*, an individual living in the Los Angeles-Long Beach-Santa Ana area, who was the sole provider for his or her family (1 adult, 2 children) and worked 2,080 hours a year, would need to earn about \$29.84 an hour to earn a living wage and \$9.00 an hour to live at poverty level. The living wage is different in various parts of the country. For example, the living wage for the same family if they lived in:

New York-Northern New Jersey-Long Island area	\$35.84
Milwaukee-Waukesha-West Allis, WI	\$29.39
Portland-Vancouver-Hillsboro, OR	\$27.86
Dallas-Fort Worth-Arlington, TX	\$25.02
Little Rock-North Little Rock-Conway, AR	\$25.58
St. Louis, MO	\$24.50
Fargo, ND	\$24.33
Charleston-North Charleston-Summerville, NC	\$24.28

Is a higher minimum wage good for business? It depends on the business model employed. One *Harvard Business Review* blogger opined:

“The smart way to deal with an increase in the minimum wage is to design work in a way that improves employees' productivity and increases their contribution to profits. All this is possible even in low-wage settings. In fact, some companies are already doing it... When I examined these companies, I saw that they made four choices in how they designed their work. They: (1) offer less, (2) combine standardization with empowerment, (3) cross-train, and (4) operate with slack. These choices transform their heavy investment in employees into great performance by reducing costs, improving employee productivity, and leveraging a fully capable and committed workforce.”

There is some food for thought.

Weekly Focus – Think About It

“Everyone thinks of changing the world, but no one thinks of changing himself.

--Leo Tolstoy, *Russian novelist*

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* 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.

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* 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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