Weekly Market Commentary
August 1, 2016

The Markets

Here's a brain tickler for you:

In July 2016, there were four.
In June 2016, there were 10.
Since 2008, there have been 673!
What are they?

If you guessed central bank rate cuts, you are on the money. *Financial Times* reported:

> "In the eight years since the collapse of Lehman Brothers, the world's top 50 central banks have, on average, cut rates once every three trading days…Despite a modest global recovery, central banks have barely had any time to breathe since the summer of 2008 – carrying out mass asset purchases and entering into negative rate territory. Britain's decision to leave the EU, coupled with political instability across Europe, still subdued inflation, and concerns over Chinese indebtedness, have spurred central banks back into action."

The latest downward adjustment came last week when the Bank of Japan (BOJ) took its key interest rate into negative territory, reported *CNN Money*. Negative rates are intended to promote bank lending and consumer spending. They also create a surreal situation in which banks pay customers to borrow and charge customers to keep money in their accounts.

The stimulus package that accompanied the BOJ's rate cut was more subdued than many had expected. *The Wall Street Journal* said the less-than-robust stimulus prompted speculation the central bank had "run up against the limits of monetary policy" and bank leaders wanted to see more robust fiscal policy introduced by Japan's government.

The United States has been pursuing a different course of action. The Federal Reserve has been raising rates; however, it left rates unchanged last week. More rate cuts may be ahead elsewhere, though. The Bank of England is expected to cut rates next week.

The Standard & Poor's 500 Index finished the week slightly lower after the Commerce Department reported growth of gross domestic product (GDP) – a measure of all goods and services produced – was weaker than expected during the second quarter. GDP grew at an annualized rate of 1.2 percent during the period. Economists had expected GDP to grow by 2.5 percent, according to *Bloomberg*. In addition, first quarter's GDP growth was revised downward from 1.1 percent to 0.8 percent.

Household consumption, which comprises about 70 percent of GDP, was up 4.2 percent during the second quarter, according to *Bloomberg*. However, those gains were offset by a decline in corporate spending on equipment, structures, and intellectual property (down 2.2 percent). That was an improvement on first quarter when corporate spending fell by 3.4 percent. Government spending declined during the second quarter, as well.

Data as of 7/29/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.1%	6.3%	3.1%	8.9%	11.0%	5.5%
Dow Jones Global ex-U.S.	1.9	2.3	-6.7	-0.4	-0.8	0.0
10-year Treasury Note (Yield Only)	1.5	NA	2.3	2.6	2.8	5.0
Gold (per ounce)	1.6	26.3	23.1	0.3	-3.8	7.8
Bloomberg Commodity Index	-0.4	7.3	-9.4	-12.6	-12.3	-7.2
DJ Equity All REIT Total Return Index	0.5	18.4	23.1	13.9	13.1	7.5

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.

THE ENVELOPE PLEASE... Every year, *Kiplinger's* publishes a list of the best and worst states for retirees. The publication considers the share of each state's population that is age 65 or older, as well as average income, average cost of living, and average healthcare costs for older Americans (relative to the national average). The economic health of each state and its citizens, and the taxes imposed on retirees also are considered.

For 2016, the best states for retirees include:

1. South Dakota
2. Utah
3. Georgia
4. Tennessee
5. Alabama
6. South Carolina
7. Washington
8. Florida
9. Arizona
10. Idaho

The worst states for retirees include:

1. New York
2. New Jersey
3. California
4. Connecticut
5. Illinois
6. Massachusetts
7. Rhode Island
8. Montana
9. Vermont
10. Wisconsin

Interestingly, taxes weren't the most important factor in determining the states where retirees might be happiest. Just four of the most tax-friendly states in the nation made the list of best places to retire. Utah, Tennessee, Alabama, South Carolina, and Washington were all in the tax friendly category, while Idaho fell into the mixed group.

Weekly Focus – Think About It

"If a country is to be corruption free and become a nation of beautiful minds, I strongly feel there are three key societal members who can make a difference. They are the father, the mother and the teacher."

--A. P. J. Abdul Kalam, Former President of India

Best regards,

Tony Kalinowski

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.

* 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.
* Stock investing involves risk including loss of principal.
* Consult your financial professional before making any investment decision.

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