

Commentary

May 11, 2015

The Markets

Government bonds have gone wild!

Sure, you might expect high-yield bonds to act unpredictably from time to time. That's why they're high-yield bonds. They don't receive investment-grade ratings – BBB through AAA – from leading credit rating agencies because they're not considered to be as creditworthy as investment grade bonds and carry a high degree of risk.

U.S. Treasuries are a different story. They are backed by the full faith and credit of the U.S. government which can raise taxes to cover its debts. Treasuries are considered by many to be one of the safest investments around. As a result, they're usually pretty stable and stodgy.

That wasn't the case last week, though. The U.S. Treasury chased after its cousin, the Bund, which is issued by the German government. The Bund has been on a tear recently. Experts cited by *Bloomberg.com* reported a shift in sentiment and fundamentals may have triggered European bond behavior that "helped wipe \$436 billion off the global fixed-income market in the past week."

The performance of German bonds reverberated around the world, according to *Bloomberg.com*, affecting U.S., French, Spanish, Japanese, Australian, Polish, and Italian government bond performance. Bond prices fell as yields rose higher. *Barron's* reported:

"Seasoned observers must have been shaking their heads. Not only do high-grade government bonds not normally gyrate more than a few basis points in a day, those swings typically don't move across oceans like tsunamis."

Since February, U.S. Treasury yields have risen from a low of 1.67 percent without any significant change in fundamentals, according to *Barron's*. It could be that U.S. markets think the Federal Reserve rate hike will occur sooner rather than later. Last week, Chairwoman Janet Yellen voiced the opinion that stock market valuations were, generally, pretty high. That could indicate the Fed is ready to act.

Be prepared for a volatile ride until the uncertainty driving markets begins to settle.

Data as of 5/8/15	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.4%	2.8%	12.8%	15.8%	12.8%	6.0%
Dow Jones Global ex-U.S.	0.2	7.9	1.3	7.9	4.9	3.7
10-year Treasury Note (Yield Only)	2.2	NA	2.6	1.8	3.5	4.3
Gold (per ounce)	0.9	-1.1	-7.9	-9.6	-0.2	10.8
Bloomberg Commodity Index	0.7	-0.2	-23.6	-8.6	-4.4	-3.7
DJ Equity All REIT Total Return Index	0.7	-0.1	12.1	11.4	12.9	8.3

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.

READING THE UNEMPLOYMENT TEA LEAVES. Americans have long relied on unemployment statistics to provide insights to our country's economic health. The *Richmond Federal Reserve* defined full employment as "the level of employment at which virtually anyone who wants to work can find employment at the prevailing wage." Interestingly, full employment is not zero unemployment because jobs are being created and eliminated constantly.

Many analysts have been asking what full employment is today, in part, because the Federal Reserve has said it will begin raising short-term interest rates when the economy is nearing full employment (and inflation is about two percent). It may turn out to be a trick question. *The Economist* wrote:

"Although the number of jobless Americans has fallen, the share of the working-age population in the labor force has also dropped considerably, from 66 percent before the financial crisis to less than 63 percent now. Temporary factors have affected the statistics, but much of the change has been driven by structural factors such as

retirement of the baby-boomer generation and rising college enrollment. These developments may explain why, as the unemployment rate has fallen from 10 percent in 2009 to 5.4 percent today, the Fed's target long-run unemployment rate has also declined, from 6 percent in 2013 to just 5.2 percent at present."

On Friday, the Labor Department announced the unemployment rate was 5.4 percent. However, there is some skepticism about whether the American labor market really is close to full capacity. Experts cited by *The Economist* suggest a stronger jobs market might coax more people into the workplace. By their estimates, America's true unemployment rate is about 6.6 percent.

The Economist suggested labor market slack is one reason average hourly earnings have remained sluggish. Many thought low oil prices would push consumer spending higher. They did not. It looks like bad weather and stagnant wages may be behind lethargic economic growth.

Weekly Focus – Think About It

"Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do."

--Steve Jobs, Co-founder, CEO, and Chairman of Apple

*Inc.**

* These views are those of Peak Advisor Alliance, and not the presenting Representative or the Representative's Broker/Dealer, and should not be construed as investment advice.

* This newsletter was prepared by Peak Advisor Alliance. Peak Advisor Alliance is not affiliated with the named broker/dealer.

* 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.

* International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors.

* 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 percent 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.

* 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.

Sources:

<http://www.investinginbonds.com/learnmore.asp?catid=5&subcatid=19>

<http://www.investinginbonds.com/learnmore.asp?catid=5&subcatid=25>

<http://www.bloomberg.com/news/articles/2015-05-07/german-bonds-fall-before-france-spain-sell-15-billion-of-debt>

http://online.barrons.com/articles/german-bunds-sneeze-u-s-stocks-get-a-cold-1431134125?mod=BOL_hp_we_columns (or go to

http://peakclassic.peakadvisoralliance.com/app/webroot/custom/editor/05-11-15_Barrons-German_Bunds_Sneeze-Footnote_4.pdf)

https://www.richmondfed.org/publications/research/econ_focus/2013/q2/pdf/jargon_alert.pdf?WT.si_n=Search&WT.si_x=3

<http://www.economist.com/blogs/freexchange/2015/05/americas-unemployment-rate> (or go to

http://peakclassic.peakadvisoralliance.com/app/webroot/custom/editor/05-11-15_TheEconomist-An_Incorrect_Dial-Footer_6.pdf
<http://www.economist.com/blogs/freeexchange/2015/05/america-s-jobs-report> (or go to
http://peakclassic.peakadvisoralliance.com/app/webroot/custom/editor/05-11-15_TheEconomist-Just_Dont_Bet_on_a_Pay_Raise-Footer_7.pdf)
<http://onboardly.com/content-marketing/101-kickass-startup-quotes/#.UitGbrx56yU#ixzz3ZaK8KTpU>



Email Me About This Topic

Or feel free to email me about anything that I can assist you with.



Schedule an Appointment

Let's get together and work on your life and financial plans.



RAI Wealth
1700 Park Street, Suite 110
Naperville, IL
60563

<http://www.raiwealth.com>

[Unsubscribe](#)

All information herein has been prepared solely for informational purposes, and it is not an offer to buy or sell, or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. Securities and investment advisory services offered through National Planning Corporation (NPC), NPC of America in FL & NY, Member FINRA/SIPC, and a Registered Investment Adviser. Registered Representatives of NPC may transact securities business in a particular state only if first registered, excluded or exempted from Broker-Dealer, agent or Investment Adviser Representative requirements. In addition, follow-up conversations or meetings with individuals in a particular state that involve either the effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, will not be made absent compliance with state Broker-Dealer, agent or Investment Adviser Representative registration requirements, or an applicable exemption or exclusion. Retirement Advisors, Inc., FMG, LLC and NPC are separate and unrelated companies. Unless otherwise noted, all videos and presentations are developed and produced by FMG, LLC. Services mentioned may be offered through third parties. NPC Privacy Policy

96101