



Weekly Manager's Pulse - July 24, 2015

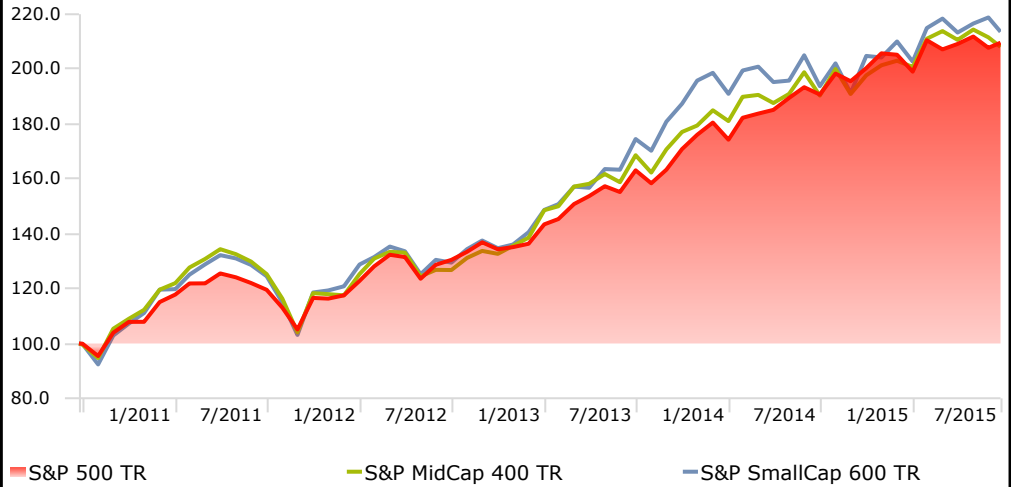
Commentary

After the previous week's strong gains, the S&P 500 Index briefly reached an intraday all-time high on Monday, but then declined throughout the rest of the week. Disappointing earnings from some large companies such as Apple, Caterpillar and Microsoft dragged down the index after the close on Tuesday. A steep drop in oil prices also took a toll on some industrial firms, which continued to fight the strong US dollar. Lastly, a report of a contraction in Chinese manufacturing activity on Friday extended worries about commodity demand and led to further declines in stocks to end the week. All ten sectors experienced losses with Materials, Energy and Industrials having the worst performance.

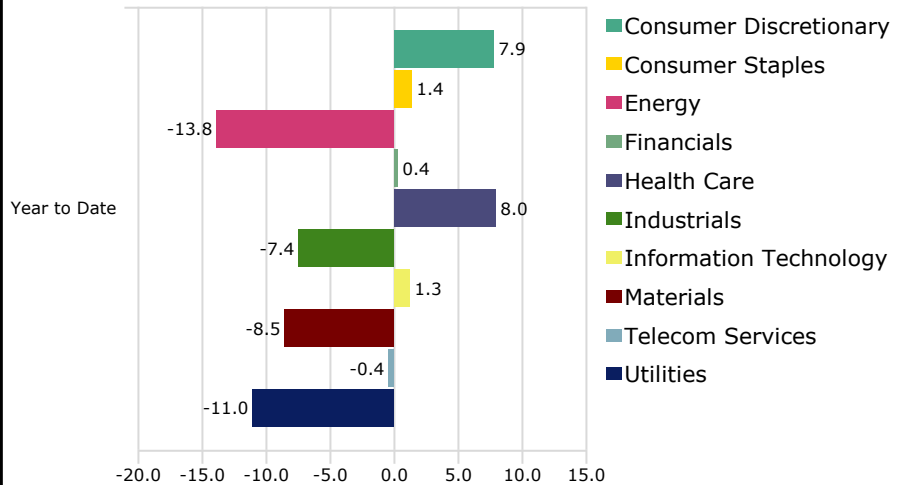
A drop in oil prices to their lowest levels since early spring, weighed heavily on oil stocks as sanctions on Iranian oil exports were lifted. In addition, crude oil inventories in the US rose more than predicted in the previous week. Investors now expect more barrels to enter the global market, driving the supply side upwards, and having further pressure on oil prices. We continue to stay cautious by being underweight energy, as we monitor the results closely to assess the impact on the markets.

Heading into this week, the markets will be fixated on the Fed meetings and the continuation of the quarterly earnings season. Fed policymakers meet for two days this week. Economists expect the Fed will begin to raise rates sometime this year, though Chairwoman Janet Yellen has avoided committing to any specific date.

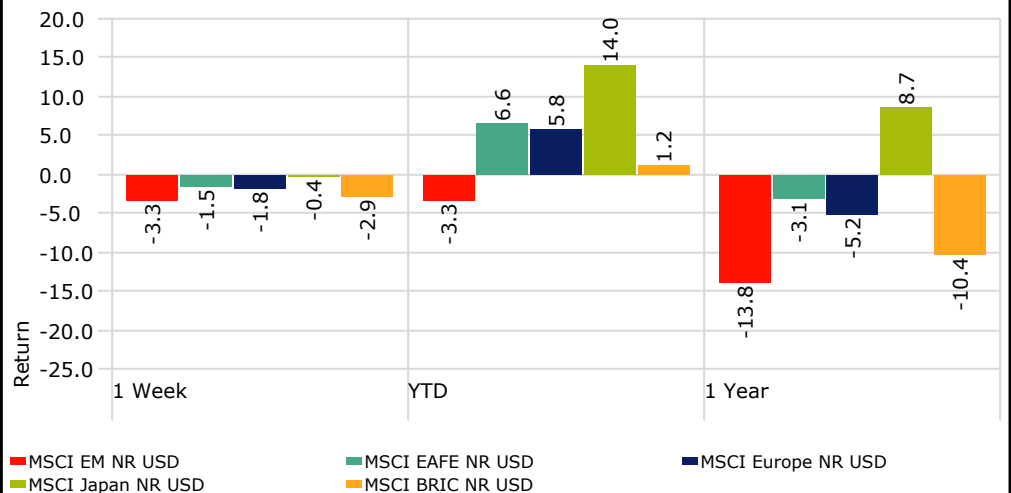
U.S. Indexes Investment Growth - 5 Years



Sector Returns Relative to the S&P 500



International Returns



Economic Data

- . Existing home sales increased to 5.49M
- . PMI flash 53.8
- . New home sales 482K



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Portfolio Commentary

Fixed Income

US Treasuries were little changed for the week, as a potential Fed interest rate increase remains in focus. The 10-year yield finished at 2.27% from 2.35% the prior week. Municipals bounced back from jitters about Puerto Rico.

Income Cash Yield

Weak commodity prices are pressuring the high yield sector. After stabilizing in March, the renewed weakness in oil, natural gas, and other commodity prices has contributed to widening credit spreads. Investment grade corporates have held up better, but still feel some pressure.

Absolute Return

Mixed earnings reports during the week pushed equity prices lower, which was a drag on returns. Mortgage-backed exposure remained stable, while market-neutral and multi-asset strategies were weak.

Balanced

Modest gains in fixed income mitigated some weakness in the equity side of the asset mix, but the strategy finished lower for the week.

Equity

Equities finished the week in negative territory with the S&P 500 down -2.19%. All sectors ended the week in the red with Energy and Materials experiencing the largest losses. Small caps were down more than large caps with a loss of -2.98%, meanwhile midcaps, while down, fared marginally better with a loss of -2.0%. Our Equity Strategies continue to emphasize an "all-cap" focus with a tactical overweighting in Healthcare and Technology, both of which have performed well this year.

Global

Global markets sold off last week, largely driven by weak corporate earnings and a steep drop in oil prices. Although European equities also suffered a bad week, they are partly stimulated by the euro's weakness. Equities in Japan remain resilient due to continued re-allocation into stocks by Japanese pension funds. We rebalanced our portfolio and increased our exposure to Europe and Japan last week.

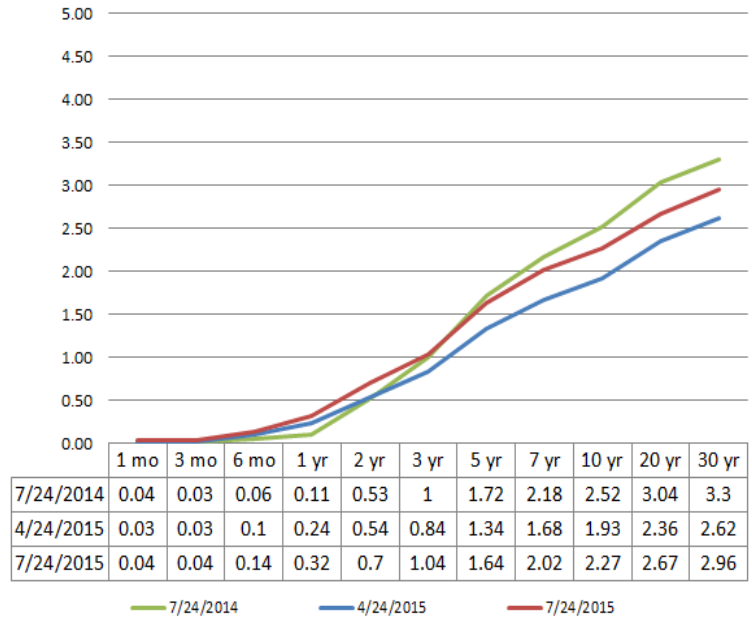
Annuities

Adjusting trades were not necessary in annuity accounts last week.

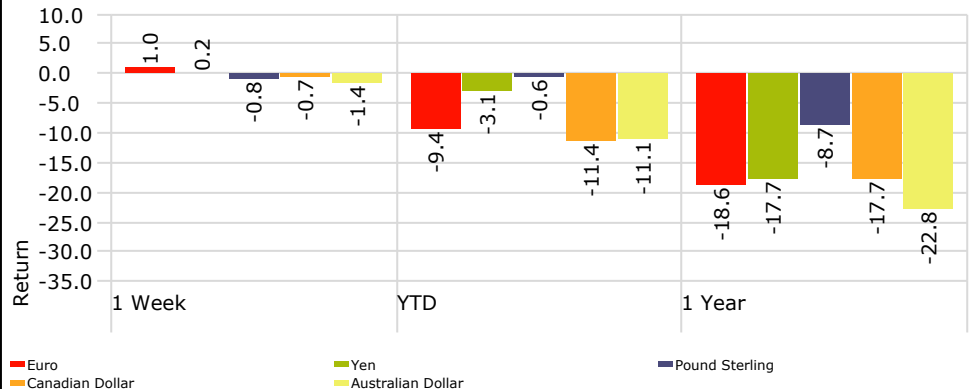
Quote of the Week:

"Family: A social unit where the father is concerned with parking space, the children with outer space, and the mother with closet space." - Evan Esar (1899-1995) American humorist

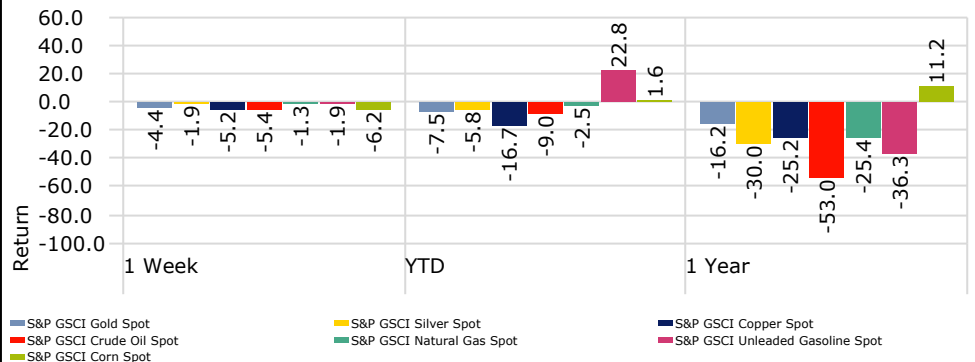
U.S. Govt Bond Yield Curve



Select Currency Returns



Select Commodity Returns



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