

Commentary

March 28, 2016

The Markets

Are corporations in the United States struggling?

In its cover article last week, *The Economist* (a British publication), suggested there is not enough competition among American companies. It pointed out:

“Aggregate domestic profits are at near-record levels relative to GDP... High profits might be a sign of brilliant innovations or wise long-term investments were it not for the fact that they are also suspiciously persistent. A very profitable American firm has an 80 percent chance of being that way 10 years later. In the 1990s the odds were only about 50 percent.”

At the end of last week, U.S. headlines indicated concern about declining corporate profits:

- * *Consumers prop up U.S. economy, but profits under pressure*
- * *U.S. Fourth-Quarter GDP Revised Up to 1.4% Growth but Corporate Profits Fall*
- * *Corporate profits fall in 2015 for first time since Great Recession*
- * *U.S. Corporate Profits Fall 8.1% in 4th Quarter*

So, are U.S. companies experiencing record profits or are they in trouble?

Last week’s press release from the *Bureau of Economic Analysis* indicated corporate profits (after inventory valuation and capital consumption adjustments) declined from the third quarter of 2015 to the fourth quarter of 2015; hence, the headlines.

However, a one-quarter decline doesn’t provide a complete picture of the health of corporate America. As *CFO.com* pointed out, over the full year, corporate profits were up 3.3 percent year-to-year.

Trading Economics offered additional context. From 1950 through 2015, U.S. corporate profits averaged about \$395 billion annually. Profits hit a record low for that period, \$14 billion, during the first quarter of 1951. Profits rose to an all-time high of about \$1.64 trillion during the third quarter of 2014.

Fourth quarter’s profits of \$1.38 trillion remain well above that average.

Data as of 3/24/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.7%	-0.4%	-2.7%	9.5%	9.2%	4.7%
Dow Jones Global ex-U.S.	-2.1	-3.1	-14.1	-2.0	-2.0	-0.5
10-year Treasury Note (Yield Only)	1.9	NA	1.9	1.9	3.4	4.7
Gold (per ounce)	-2.5	14.9	2.5	-8.6	-3.3	8.2
Bloomberg Commodity Index	-1.9	0.9	-20.8	-16.8	-14.0	-7.0
DJ Equity All REIT Total Return Index	-1.2	2.7	-0.2	9.3	11.6	6.3

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.

IF YOU COULD LIVE ANYWHERE, WHERE WOULD YOU LIVE? If cities are your cup of tea, then here is some good news. The *2016 Worldwide Cost of Living Report* compares the prices of 160 products and services – from food and drink to domestic care and private schools – in cities around the world. It found the cost-of-living in many cities fell during 2015 thanks to lower commodity prices, weakening currencies, and geopolitical unrest.

Be warned: a lower cost-of-living doesn’t mean a city offers good value. Take Zurich, for instance. Remember the uproar when the Swiss unpegged their currency early in 2015? The Swiss franc realized double-digit gains, the Swiss stock market swooned, and the Swiss people went shopping in neighboring countries. Well, the cost of living in Zurich fell from September 2014 to September 2015, but the decline wasn’t proportionate to declines elsewhere in Europe, and Zurich currently reigns as Europe’s most expensive city.

In September 2015, the most and least expensive cities in the world were:

Most expensive:

- * Republic of Singapore
- * Zurich, Switzerland
- * Hong Kong, China
- * Geneva, Switzerland

* Paris, France

Least expensive:

- * Chennai, India
- * Karachi, Pakistan
- * Mumbai, India
- * Bangalore, India
- * Lusaka, Gambia

Cities in the United States didn't fare well, either. A strong U.S. dollar helped push all 16 of the U.S. cities that were in the survey up at least 15 places. New York and Los Angeles both rank among the 10 most expensive cities in the world.

Weekly Focus – Think About It

“The first step in the evolution of ethics is a sense of solidarity with other human beings.”

--Albert Schweitzer, Winner of the Nobel Peace Prize

* 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. However, the value of fund shares is not guaranteed and will fluctuate.

* 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% 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.economist.com/news/leaders/21695392-big-firms-united-states-have-never-had-it-so-good-time-more-competition-problem> (or go to https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/03-28-16_TheEconomist-The_Problem_with_Profits-Footnote_1.pdf)

<http://www.reuters.com/article/us-usa-economy-idUSKCN0WR0YL>

<http://www.wsj.com/articles/u-s-fourth-quarter-gdp-revised-up-corporate-profits-fall-1458909252> (see Headline)

<http://www.marketwatch.com/story/4th-quarter-gdp-raised-to-14-but-corporate-profits-sink-2016-03-25>

<http://ww2.cfo.com/the-economy/2016/03/u-s-corporate-profits-fall-8-1-4th-quarter/>

http://www.bea.gov/newsreleases/national/gdp/2016/gdp4q15_3rd.htm

<http://www.tradingeconomics.com/united-states/corporate-profits>

http://www.eiu.com/public/topical_report.aspx?campaignid=WCOL2016 (or go to https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/03-28-16_TheEconomistIntelligenceUnit-Worldwide_Cost_of_Living_Report_2016-Footnote_8.pdf)

<http://www.economist.com/blogs/buttonwood/2015/01/currencies> (or go to https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/03-28-16_TheEconomist-Going_Cuckoo_for_the_Swiss-Footnote_9.pdf)

<http://www.economist.com/news/europe/21640366-swiss-are-feeling-shocked-and-discombobulated-their-central-bank-shaken-not-stirred> (or go to

https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/03-28-16_TheEconomist-Shaken_not_Stirred-Footnote_10.pdf)

<http://www.economist.com/blogs/graphicdetail/2016/03/daily-chart-4> (or go to https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/03-28-16_TheEconomist-Worldwide_Cost_of_Living_Survey-Footnote_11.pdf)

http://www.brainyquote.com/quotes/quotes/a/albertschw132789.html?src=t_ethics



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.





Naperville, IL
60563

<http://www.raiwealth.com>

[Unsubscribe](#)

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
106617