

Commentary

The Markets

It's déjà vu all over again!

Last year, pundits and analysts tried to discern when the Federal Reserve might begin to end quantitative easing by reading economic tea leaves. For months, bad economic news proved to be good news for stock markets. This year, investors are seeking signs which might indicate when the Fed will begin to raise interest rates and, once again, bad news has become good news. Last week's weaker-than-expected unemployment report helped push U.S. stock markets higher, according to *Reuters*, because it was interpreted to mean the Fed would not raise rates soon.

The week before, the Commerce Department announced household spending slowed during July. Consumer spending was up just 3.2 percent annualized through mid-summer which is the smallest increase in spending in five years. As it turns out, spending fell because Americans are saving more. During July, households set aside 5.7 percent of income, on average. While that's good news with respect to American households' financial security, it's not such good news for U.S. gross domestic product, according to *Barron's*:

"Unfortunately for the U.S. economy, a penny saved is not a penny earned. While the decision by Americans to cut back on their profligate ways isn't necessarily a bad thing – it was spending beyond our means that helped spur the Great Recession in the first place – it's only consumer spending, not saving, that counts when computing gross domestic product. So when consumers spent less in July than they did in June, it caused economists to ratchet down their third-quarter economic-growth forecasts which now sit below 3 percent."

Some experts say slower growth is good news because economic expansion may last longer. While that's all well and good, Robert Shiller, Sterling Professor of Economics at Yale, suggested in *The New York Times* that U.S. stock markets are looking a little pricey by some measures. He suspects the reason investors remain interested in buying highly-priced shares may ultimately be found, "...in the realm of sociology and social psychology – in phenomena like irrational exuberance, which, eventually, has always faded before."

Data as of 9/5/14	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.2%	8.6%	21.3%	19.9%	14.4%	6.0%
10-year Treasury Note (Yield Only)	2.5	NA	3.0	2.0	3.5	4.3
Gold (per ounce)	-1.5	5.4	-8.6	-12.6	5.0	12.2
Bloomberg Commodity Index	-1.4	-0.7	-3.8	-8.2	-0.1	-1.3
DJ Equity All REIT Total Return Index	1.0	21.3	26.8	16.9	19.2	9.0

S&P 500, 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 LIVE IN THE UNITED STATES, NO MATTER WHERE YOU RESIDE, you are NOT in the top 10 when it comes to the world's most 'livable' cities. *The Economist Intelligence Unit's Global Liveability Ranking and Report* was published in August 2014. It relies on 30 factors such as safety, healthcare, educational resources, infrastructure, and environment to determine which of 140 cities around the world are the most livable. The burghs which top the rankings tend to be "mid-sized cities in wealthier countries with relatively low population density." They include:

1. Melbourne, Australia
2. Vienna, Austria
3. Vancouver, Canada
4. Toronto, Canada
5. Adelaide, Australia
6. Calgary, Canada
7. Sydney, Australia
8. Helsinki, Finland
9. Perth, Australia
10. Auckland, New Zealand

The names on that list haven't changed since 2011; however, the average global livability rating has fallen 0.7 percent since 2009. The change is due to a decline in

stability and safety (down 1.3 percent) among other things. More than 50 of the cities surveyed have seen their ratings move lower during the past five years. This year, the cities that ranked worst for livability included Damascus, Syria; Dhaka, Bangladesh; Port Moresby, Papua New Guinea; Lagos, Nigeria; and Karachi, Pakistan.

The good news for Americans is Washington D.C., Los Angeles, and New York City remain relatively highly ranked and haven't experienced any change in their livability rankings. None of these is the most livable city in the United States, though. The top honor, here at home, goes to Honolulu (26th) followed by Pittsburgh (30th).

Weekly Focus – Think About It

“If you want your children to turn out well, spend twice as much time with them, and half as much money.”

--Abigail Van Buren, American advice columnist

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* 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.

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* 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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