Commentary

May 4, 2015

The Markets

Stock markets tipped into the red last week.

Major indices in the United States and elsewhere dipped lower as U.S. economic growth came in below expectations. The Commerce Department reported gross domestic product (GDP) grew by 0.2 percent annualized during the first quarter. Growth was hindered by the strength of the U.S. dollar, which made exports less attractive, and cold winter weather. U.S. market performance also reflected last week's earnings news for technology stocks which wasn't quite as rosy as the previous week's.

Markets across much of Asia lost value last week, too. China was a notable exception. The Shanghai Composite gained more than 1 percent during the period. It was a truly remarkable performance as China is in the midst of its worst earnings season since the global financial crisis. *Bloomberg* reported:

"…2014 profits missed estimates by the most in six years and analysts cut their outlooks at the fastest pace since 2009...Yet, it's mainland individuals who account for at least 80 percent of trades, and they're still buying shares at a record pace in anticipation of further government stimulus. That helps explain why the highest price-to-earnings ratios in five years have failed to slow the Shanghai Composite's advance."

China's economic growth has also slowed. During the first quarter, its GDP grew by 7 percent. That's a much better showing than the United States but not so great when benchmarked against previous growth in China. In fact, it was China's slowest growth since 2009.

The Economist commented, "…the question for China is not whether growth will rebound to anything like the double-digit pace of the past. Instead, it is whether its slowdown will be a gradual descent – a little bumpy at times but free from crisis – or a sudden, dangerous lurch lower.

Data as of 5/1/15	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.4%	2.4%	11.9%	14.5%	11.9%	6.1%
Dow Jones Global ex-U.S.	-0.9	7.8	0.5	6.4	3.8	3.8
10-year Treasury Note (Yield Only)	2.1	NA	2.6	2.0	3.7	4.2
Gold (per ounce)	-0.6	-1.9	-8.0	-10.9	-0.2	10.6
Bloomberg Commodity Index	1.8	-0.9	-24.1	-9.9	-5.2	-3.8
DJ Equity All REIT Total Return Index	-3.0	-0.8	13.0	10.9	12.0	8.5

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.

WHEN DO YOU HAVE A DUCHENNE SMILE? According to Martin Seligman, professor of psychology at the University of Pennsylvania and author of *Authentic Happiness*, the Duchenne is a genuine smile, typically accompanied by eye crinkling, and it demonstrates real happiness. The alternative, the Pan American, is a counterfeit smile. It may be the one we employ in exasperating customer service situations. The point is: When we are truly happy, our smiles are genuine.

Researchers in the field of positive psychology and happiness have spent quite a bit of time trying to determine whether money makes us happy. There has been no decisive answer to date, although some studies' findings offer abundant food for thought.

More money means greater happiness. "…rich individuals are more satisfied with their lives than poorer individuals, and we find that richer countries have significantly higher levels of life satisfaction."

--Betsey Stevenson and Justin Wolfers of University of Pennsylvania

A dearth of money can cause emotional pain. "More money does not necessarily buy more happiness, but less money is associated with emotional pain."

--Daniel Kahneman and Angus Deaton of Princeton University

Experience offers a better value for your dollar. "People generally believe that making money and obtaining material possessions will improve their lives... However, materialism has repeatedly been shown to be detrimental to well-being…Investing discretionary resources into life experiences, rather than buying material possessions, makes people happier."

--*Ryan Howell et al, San Francisco State and University of Southern California*

Anticipation makes experience all the sweeter. "Four studies demonstrate that people derive more happiness from the anticipation of experiential purchases and that waiting for an experience tends to be more pleasurable and exciting than waiting to receive a material good."
--*Amit Kumar et al, Cornell University*

The relationship between emotional well-being and financial well-being is complex and worth exploring. How does money affect your life? Does it make you happy? Could it make you happier?

Weekly Focus – Think About It

"Look up at the stars and not down at your feet. Try to make sense of what you see and wonder about what makes the universe exist. Be curious."
--*Stephen Hawking, English theoretical physicist*

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