Weekly Market Commentary
September 15, 2014

The Markets

If you're familiar with fairy tales, you've probably encountered a story or two that involves the granting of wishes. Usually, these are cautionary tales. Well, there was some wishing going on around the globe last week and, if the wishes come true, the outcomes may be less beneficial than anticipated.

In the United States, some folks wish Chairwoman Janet Yellen and her peers at the Federal Reserve would set a timetable for rate hikes. *Barron's* offered the opinion that abandoning a data-driven process in favor of a calendar-driven one would be a mistake. Recent improvements including a slight spike in consumer confidence, somewhat stronger consumer spending, and a generally improving job market remain mired in residue of the Great Recession. For instance:

> "Housing remains in the doldrums as potential buyers cite insufficient savings, excess debt, poor credit scores, and, yes, their incomes as stumbling blocks on the road to home ownership. Higher rates won't fix any of those problems, and even setting a schedule for rate hikes could create head winds if it causes loans to become harder to get in anticipation of the change."

Across the pond, the United Kingdom of Great Britain and Northern Ireland (U.K.) may cover a lot less territory if Scotland wins independence in next week's referendum. Until recently, few thought the measure had enough support to pass, but the latest polls say that it may happen. While independence may seem like a reasonable objective, there are economic and other challenges attached that could profoundly affect the new country. These include:

- What currency will the Scots adopt? (U.K. leaders have said Scotland cannot keep the Pound.)
- How will the U.K.'s national debt be divided? (By population? By gross domestic product?)
- How will markets respond to Scottish independence? (Will Scotland establish its own stock market? Will companies relocate to England?)
- How will the remainder of the United Kingdom be affected?

There is an adage that may prove appropriate here: Be careful what you wish for because you just might get it.

Data as of 9/12/14	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-1.1%	7.4%	18.0%	19.5%	13.6%	5.8%
10-year Treasury Note (Yield Only)	2.6	NA	2.9	1.9	3.4	4.2
Gold (per ounce)	-2.7	2.5	-7.3	-12.4	4.3	11.9
Bloomberg Commodity Index	-2.8	-3.5	-6.6	-8.8	-0.5	-1.7
DJ Equity All REIT Total Return Index	-5.0	15.3	16.1	14.9	16.6	8.8

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.

BEWARE UNPAID INTERNSHIPS! For decades, internships have offered opportunities to learn new skills and find gainful employment. However, a rise in of lawsuits involving unpaid interns and the companies where they worked has focused new attention on the subject. In an article on the topic, *The Economist* offered some information worth pondering:

> "Banks and accountancy firms now hire more than half of their recruits through their internship programs; careers in politics, medicine, the media, and many other fields nearly always begin with an internship. Two-thirds of American students have at least one internship under their belts before they leave college. But they are often badly compensated: nearly half the internships in America are completely unpaid. How do unpaid internships exist in countries that have minimum-wage laws?"

It's an interesting question and one that's answered in *Fact Sheet #71* from the U.S. Department of Labor. The sheet sets forth six criteria that must be met for interns to work without pay. In broad terms, unpaid internships:

1. Must be similar to training provided in an educational environment
2. Must benefit the intern
3. Must not displace regular employees
4. Must not provide immediate advantage to the employer
5. Do not necessarily end in employment
6. Are clearly understood to be unpaid by both employer and intern

So, which internships, paid or unpaid, are most likely to help someone land a job? A recent study from *LinkedIn* examined the availability of internships by field as well as the likelihood of an internship leading to a full-time position. The best bets for prospective interns were accounting, computer networking, semiconductors, aviation and aerospace, investment banking, design, and consumer goods.

Weekly Focus – Think About It

"Individual commitment to a group effort – that is what makes a team work, a company work, a society work, a civilization work."

--*Vince Lombardi, Coach of the Green Bay Packers (1959-1967)*

Best regards,

Tony Kalinowski

* 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 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.

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