RETIREMENT ADVISORS INC

Commentary

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The Markets

If you have young children or grandchildren, you may have read “Alexander and the Terrible, Horrible, No Good, Very Bad Day” by Judith Viorst. Well, that’s what last week was like on the European continent from an economic perspective.

Hopes of economic recovery were put on hold when gross domestic product (GDP) figures across the region showed no – nada, zero, zip – growth overall during the second quarter of 2014. First quarter’s growth (0.2 percent) hadn’t been all that impressive either, but at least it was headed in the right direction. The strongest second-quarter performers were Netherlands, Spain, and Portugal, according to *The Economist.* However, some of Europe’s largest economies (Italy, Germany, and France) contracted during the period.

Geopolitical unrest prompted the Euro area’s poor showing. Turmoil in the Middle East, violence in Ukraine, and sanctions against Russia have, among other things, led to a slowdown in demand for luxury goods that has negatively affected European economies. After delivering strong performance in 2013, the MSCI Europe Textiles, Apparel, & Luxury Goods Index was down more than 10 percent in the month of July and down 4.75 percent for the year. China’s anti-bribery and corruption campaign also has reduced demand for luxury goods, according to *Bloomberg.*

The Euro area’s economic growth (or recent lack thereof) has sparked fears of deflation in the region. *The Economist* offered this insight:

“Deflation would be particularly grave for the euro area because both private and public debt is so high in many of the 18 countries that share the single currency. Even if inflation is positive, but stays low, it hurts debtors as their incomes rise more slowly than they expected when they borrowed. If deflation were to set in, the effects would be worse still: when prices and wages fall, debts, which do not shrink, become harder to repay.”

Woes across the Atlantic put a shine on markets in the United States, according to *Reuters*. Major U.S. stock markets finished the week ahead and benchmark U.S. treasury yields finished the week at a 14-month low.

Data as of 8/15/14	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.2%	5.8%	17.7%	17.5%	14.8%	6.1%
10-year Treasury Note (Yield Only)	2.4	NA	2.8	2.3	3.5	4.3
Gold (per ounce)	-1.1	7.9	-2.5	-9.3	6.8	12.4
Bloomberg Commodity Index	-1.3	0.0	-3.0	-7.4	0.1	-1.5
DJ Equity All REIT Total Return Index	1.6	18.6	20.3	14.9	20.4	9.6

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.

AT A CERTAIN AGE, YOU BEGIN TO UNDERSTAND WHY YOUR ELDERS shook their heads at newfangled ideas like television, 24-hour convenience stores, automobiles, and buying on credit. Here are a few business and marketing trends that may change the way baby boomers think about things:

- **Where words fail, music speaks.** Athletic shoe companies, fast-food retailers, and luxury brands are using digital music services to amplify their brand identities and engage with customers. For instance, a well-known cruise line’s playlist includes tunes with fun summer vibes, while a shampoo brand’s list embraces singing-in-the-shower songs.
- **Have a commercial with that commercial.** A popular music identification app is helping television networks and advertisers connect with consumers’ second screens – their smart phones and tablets. The app’s logo appears during commercials and TV shows. If viewers interact with the logo, then the show or product has opportunities to re-market to viewers through their mobile devices.
- **It’s a meal ticket, literally.** Some of the hottest restaurants around aren’t taking reservations anymore. They’re selling tickets in advance. It’s a business decision

that eliminates the cost of last-minute cancellations which may lead to better prices for diners, according to experts cited by *National Public Radio*.
- **Want to attract a crowd?** New and growing businesses have a lot of options when it comes to raising capital. If a business wants to borrow money, in addition to traditional sources, they can turn to peer-to-peer and social lending platforms. If a company wants equity investors, they may pursue equity crowdfunding. In fact, a recent study reported:

"Today, it's apparent the crowdfunding phenomenon has indeed affected the VC (venture capital) ecosystem – as a complementary force. With thousands of consumer-oriented hardware campaigns looking for financing for everything from smart watches to beacon technologies, crowdfunding platforms… have provided VC investors with a valuable source for dealflow."

Whether you're a consumer or a businessperson, it's important to remain aware of the ways in which the world is evolving and take advantage of opportunities that can make your life easier and/or your business more successful.

Weekly Focus – Think About It

"If your actions inspire others to dream more, learn more, do more and become more, you are a leader."

--John Quincy Adams, Sixth President of the United States

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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.
* 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.
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* 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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