



Market Commentary July 27, 2015

Dear Investors:

There was a spate of bad news last week, and it drove U.S. markets lower.

China's wild ride isn't over yet. The Purchasing Managers' Index, a private measure of Chinese manufacturing, came in below expectations at 48.2, according to *Bloomberg Business*. Results below 50 indicate the sector is contracting. That doesn't bode well for growth in China, which is the biggest global consumer of metals, grains, and energy, or the rest of the world.

Things weren't rosy in the United States either. Sales of new homes in June came in below expectations, and the median new home price fell from a year ago. That news was a U-turn from recent data indicating strength in the housing market.

Earnings news was also less than stellar. The Standard & Poor's 500 Index is kind of pricey, according to *Reuters*, and second quarter earnings for companies in the index were mixed. Seventy-four percent of companies beat earnings expectations but not nearly as many delivered on expected revenues.

Earnings weren't the only issue on investors' minds. Last week, the Federal Reserve has signaled a September rate hike was a possibility. This week it inadvertently released a confidential staff forecast that included estimates for inflation, unemployment, economic growth, and the fed funds rate. The Washington Post reported:

"Currently, the fed funds rate is between 0 and 0.25 percent, the same level it has been since the financial crisis hit in 2008... The staff prediction is that the prevailing fed funds rate during the fourth quarter will be 0.35 percent. Though there is no reference to exactly when or how that could happen, analysts say the most likely way is for the central bank to raise its target rate in September."

Experts cited by *Barron's* cautioned, "...it's not the first rate hike that's important. It is what comes after that." Stay tuned.

Data as of 7/24/15	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-2.2%	1.0%	4.6%	15.8%	13.3%	5.4%
Dow Jones Global ex-U.S.	-2.0	1.9	-8.4	8.3	3.5	2.8
10-year Treasury Note (Yield Only)	2.3	NA	2.5	1.4	3.0	4.3
Gold (per ounce)	-4.6	-9.9	-16.4	-12.0	-1.8	9.8
Bloomberg Commodity Index	-4.4	-10.6	-27.7	-13.1	-6.4	-5.0
DJ Equity All REIT Total Return Index	-0.5	-1.9	5.8	10.4	12.7	6.9

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.

A HIGH SCHOOL DEGREE

Companies often take an interest in education. Some involve themselves in community outreach efforts, sending employees to teach financial literacy or educate students about careers that demand knowledge of a particular field of study. Others have foundations that provide financial support to school districts.

Recently, a new model of assistance was introduced. Pathways in Technology Early College High Schools (P-Tech) were the brainchild of New York City, City University of New York, and a large technology company. The schools offer a six-year educational program that combines public high school, community college courses, and paid work experience. Students graduate with an associate degree and it doesn't cost them a penny of tuition.

The first six students graduated from P-Tech – two years early – in June 2015. All received job offers from the technology company. Three accepted and three decided to go on to college. *The Economist* described one graduate, who opted for employment:

“He applies his programming and technical skills to a digital platform that provides market research to his colleagues. It is a good job: he makes \$50,000 a year, has a health-care package, and a pension plan. Mr. Saddler is 18 years old. He earned his high-school diploma last month. A few weeks before finishing school, he also received an associate degree in computer systems technology.”

Experts cited by *U.S. News & World Report* explained early college high schools help bridge the gap for students from low-income families who sometimes struggle with the transition from high school to college or university.

Since about 30 percent of the companies in the United States cannot fill open positions, P-Tech is an idea that's gaining traction. More than 70 small and large companies are collaborating with high schools and colleges to promote the concept. Twenty-seven schools have been introduced in New York, Connecticut, and Illinois, to date. Colorado is expected to be the next state to follow suit.

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Weekly Focus – Think About It

“Rightful liberty is unobstructed action according to our will within limits drawn around us by the equal rights of others.”

--Thomas Jefferson, Third President of the United States

Best regards,



John Y. Kim, J.D., LL.M., AIF®
President

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

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- * 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.
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