



Market Commentary February 8, 2016

Dear Investors:

There was bad news and good news in last Friday's unemployment report.

In the negative column, fewer jobs were created in the United States than economists had predicted, and January's jobs gains were not as strong as December's had been. In addition, the December jobs increase was revised downward from 292,000 to 252,000, according to *Barron's*.

On the positive side of the ledger, more than 150,000 new jobs were added in January. The unemployment rate fell below 5 percent for the first time since February of 2008 and earnings increased. In total, average hourly earnings have moved 2.5 percent higher during the past 12 months.

Good news plus bad news equals uncertainty. As we've seen, that's a state of affairs markets strongly dislike. In January, slower growth in China and low oil prices had markets in a tizzy. Last week, the Standard & Poor's 500 Index gave back more than 3 percent as investors tried to decide whether employment news indicated a rising risk of recession in the United States, according to *Barron's*.

When investors are emotional and markets are volatile, it can be helpful to remember the words of Ben Graham, author of *The Intelligent Investor*, who believed a company's intrinsic value should be measured by its operating performance rather than its share value. Warren Buffett shared Graham's thoughts on 'Mr. Market' in a 1987 shareholder letter. In part, it cautions:

“...Like Cinderella at the ball, you must heed one warning or everything will turn into pumpkins and mice: Mr. Market is there to serve you, not to guide you. It is his pocketbook, not his wisdom, that you will find useful. If he shows up some day in a particularly foolish mood, you are free to either ignore him or to take advantage of him, but it will be disastrous if you fall under his influence.”

So, how are companies performing? It depends on which you own but, during the current quarterly earnings season, most companies have reported earnings that exceed expectations. That's not something that tends to happen during recessions, according to *Barron's*.

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Data as of 2/5/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-3.1%	-8.0%	-8.9%	7.6%	7.3%	4.0%
Dow Jones Global ex-U.S.	-1.1	-8.0	-16.1	-4.0	-3.2	-0.8
10-year Treasury Note (Yield Only)	1.9	NA	1.8	2.0	3.6	4.6
Gold (per ounce)	3.5	8.3	-8.7	-11.8	-3.1	7.3
Bloomberg Commodity Index	-2.1	-3.8	-26.2	-19.1	-14.2	-7.8
DJ Equity All REIT Total Return Index	-2.4	-5.7	-10.0	7.1	9.4	6.1

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.

SETTING AN EXAMPLE FOR FUTURE GENERATIONS... Do your children or grandchildren spend summers mowing lawns, repairing computers, or selling movie tickets? Perhaps, they have part-time jobs during the school year, bagging groceries, or working in a local shop. No matter the type of work done, if a young person has earned income, he or she can save in a Roth IRA.

While saving for retirement probably isn't even a blip on the radar for most young people, their older relatives are aware of the challenges related to saving for and generating income in retirement. Many also understand the importance of starting early – a task that has been made easier by custodial Roth IRAs. It is now possible to establish Roth IRAs for children who are younger than age 18, as long as they have earned income.

Communicating the importance of saving for retirement (and other goals) to younger family members is important, especially when the *2015 Employee Benefit Research Institute's Retirement Confidence Survey* found about 39 percent of working Americans are not currently saving for retirement. Since actions often speak louder than words, a *Time.com* reporter offered this suggestion:

“Most kids will not have the ability or discipline to fund the account through their earnings. But adults can reward their hard work by contributing on their behalf. This demonstrates the value of saving...The additional saving is all the more important for young people, who will have fewer sources of guaranteed lifetime income in their retirement years.”

Money Chimp's compounding calculator suggests a one-time \$5,000 investment, earning 6 percent a year on average, would be worth more than \$178,000 in 60 years. That could become tax-free income for a child or grandchild's retirement if the investment was in a Roth IRA. Please keep in mind, this is a hypothetical example and is not representative of any specific situation. Your results will vary. The hypothetical 6% return used is not guaranteed and does not reflect the deduction of fees and charges inherent to investing.

Of course, one attractive aspect of a Roth IRA account is the assets also can be used, penalty-free, for college tuition or the purchase of a first home, as long as certain requirements are met (including the account having been open for at least five years). About the Roth IRA – The Roth IRA offers tax deferral on any earnings in the account.

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Withdrawals from the account may be tax free, as long as they are considered qualified. Limitations and restrictions may apply. Withdrawals prior to age 59 ½ or prior to the account being opened for 5 years, whichever is later, may result in a 10% IRS penalty tax.

Weekly Focus – Think About It

“Politics is the art of looking for trouble, finding it everywhere, diagnosing it incorrectly, and applying the wrong remedies.”

--Groucho Marx, American comedian

Best regards,



John Y. Kim, J.D., LL.M.
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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* 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 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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- * Yahoo! Finance is the source for any reference to the performance of an index between two specific periods.
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- * Consult your financial professional before making any investment decision.
- * Stock investing involves risk including loss of principal.

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