Weekly Market Commentary
May 2, 2016

The Markets

"Which would you prefer to be: a medieval monarch or a modern office-worker?" If you immediately answered medieval monarch, take a moment to ponder life without "…modern dentistry, antibiotics, air travel, smartphones, and YouTube."

Last week, *The Economist* used this example to illustrate the challenges of accurately measuring living standards over time. For many years, countries and economists have relied on gross domestic product (GDP), the value of all goods and services produced by a country over a specific period of time, to gauge relative prosperity. The publication pointed out GDP may not be an accurate measure of well-being because it does not account for changes in quality of output:

> "…The benefits of sanitation, better health care, and the comforts of heating or air-conditioning meant that GDP growth almost certainly understated the true advance in living standards in the decades after the Second World War. But at least the direction of travel was the same. GDP grew rapidly; so did quality of life. Now GDP is still growing (albeit more slowly), but living standards are thought to be stuck. Part of the problem is widening inequality: median household income in America, adjusted for inflation, has barely budged for 25 years. But increasingly, too, the things that people hold dear are not being captured by the main yardstick of value."

Whether it accurately reflects growth in the United States or not, U.S. GDP gained 0.5 percent during the first quarter of 2016. *Barron's* reported investors were not encouraged by the less-than-robust growth rate or by the fact GDP growth in the Eurozone (0.6 percent) exceeded GDP growth in the United States during first quarter.

Weak corporate earnings also influenced market performance last week. So far, 62 percent of companies in the Standard & Poor's 500 Index have reported their results, and the numbers show first quarter earnings have declined by 7.6 percent, year-over-year. That is better than expected, according to *FactSet*, but nothing to write home about.

Data as of 4/29/16	**1-Week**	**Y-T-D**	**1-Year**	**3-Year**	**5-Year**	**10-Year**
Standard & Poor's 500 (Domestic Stocks)	-1.3%	1.1%	-2.0%	9.0%	8.7%	4.7%
Dow Jones Global ex-U.S.	0.1	1.7	-12.4	-1.3	-2.1	-0.6
10-year Treasury Note (Yield Only)	1.8	NA	2.0	1.7	3.3	5.1
Gold (per ounce)	3.4	21.0	6.3	-4.3	-3.5	6.9
Bloomberg Commodity Index	3.0	8.9	-17.0	-14.0	-13.4	-7.1
DJ Equity All REIT Total Return Index	-0.1	4.2	7.1	7.4	10.0	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.

WHEN SOMEONE SAYS, "FEDERAL BUDGET," DO YOUR EYES GLAZE OVER?
Apparently, enough folks tune out when the budget is mentioned that the *Hutchins Center on Fiscal and Monetary Policy at the Brookings Institution* developed a digital game to make the matter more palatable. 'The Fiscal Ship' gives players a chance to choose tax and spending policies for the United States and see how those choices affect the country.

These dollars-and-cents decisions aren't simple. The actions taken increase or reduce the country's debt and also help determine the kind of nation we'll be living in three decades from now. The game's description explains:

> "America is looking at a permanent, growing mismatch between revenues and spending, and policymakers are faced with difficult decisions about how to reconcile important government priorities…with the tax revenues that the current tax code will yield…So your mission is to pick from a menu of tax and spending options to reduce the debt from projected levels over the next 25 years. Small changes to spending and taxes won't suffice. The choices are difficult, but the goal is achievable…To win the game, you need to find a combination of policies that match your values and priorities AND set the budget on a sustainable course."

Before you select policies, you'll be asked to choose the issues that are most important to you, such as: Shrink Government, Strengthen the Social Safety Net, Invest in the Future, Strengthen National Defense, and others.

Once you've prioritized the issues, you'll be given a laundry list of policy choices. That's when the tough decisions get made. As you develop your plan, you'll be shown how the decisions you're making affect revenue, spending, and the nation's debt as well as issues that are important to you.

You can find the game at http://www.fiscalship.org.

Weekly Focus – Think About It

"I suppose there's a melancholy tone at the back of the American mind, a sense of something lost. And it's the lost world of Thomas Jefferson. It is the lost sense of innocence that we could live with a very minimal state, with a vast sense of space in which to work out freedom."

--*George Will, American newspaper columnist*

Best Regards,

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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 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.
* 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.

Sources:
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