Weekly Market Commentary
May 9, 2016

The Markets

Reading economic portents can be tricky.

For example, do signs that economic growth is slowing – like last week's employment report, which was anemic relative to consensus forecasts, and first quarter's gross domestic product (GDP) growth – mean the economy is headed for trouble? Or, does it mean the economy is going to continue to grow slowly?

It all depends on whom you ask.

Some see current lackluster economic data as a harbinger of trouble. Last week, *Barron's* cited an expert who was concerned about employment data. "…It could be a sign of trouble...Specifically, falling profit margins will put pressure to trim costs and head counts later this year and into 2017, which would slow consumer-spending growth."

Others believe the United States is destined to experience a persistent period of slow growth. In 2013, *Barron's* suggested the enviable pace of growth in the United States since World War II was likely to decline, along with the size of its working-age population and gains in worker productivity. The new era:

> "…could have broad repercussions that will affect not only the pugilists in Washington but businesses and investors. Weaker growth will make it harder for companies to improve earnings, fatten dividends, or garner better stock returns. It also threatens to fan social inequality and class tensions and limit the ability of government to fund various entitlement programs like Medicare and Social Security. Tax revenues also are likely to fall short of projected levels."

Of course, a lot depends on how you gauge growth. A 2009 discussion in a *Harvard Business School* blog asked whether slower growth, as measured by current indicators, was meaningful since, as this commentary mentioned last week, gross domestic product (GDP) is a flawed indicator. "Further, in an age of concern about the environment, questions are raised about whether certain forms of growth – let alone incorrect measures – serve a very good purpose."

Investors expressed their opinions last week. They weren't thrilled by mixed economic data or the possibility of slower growth. *Reuters* suggested markets' downward shift indicated a reduced appetite for risk.

Data as of 5/6/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	-0.4%	0.7%	-1.5%	8.3%	9.0%	4.5%
Dow Jones Global ex-U.S.	-3.7	-2.1	-14.6	-2.9	-2.3	-1.2
10-year Treasury Note (Yield Only)	1.8	NA	2.3	1.8	3.2	5.1
Gold (per ounce)	0.3	21.4	7.9	-3.7	-2.8	6.7
Bloomberg Commodity Index	-2.5	6.2	-20.3	-14.4	-12.2	-7.3

DJ Equity All REIT Total Return Index	4.3	8.6	15.0	8.3	11.5	7.0

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.

IT PROBABLY WON'T SURPRISE YOU TO LEARN RUSSIA WAS ON TOP. In countries around the world, crony capitalism has thrived during the past two decades. The net worth of wealthy business folk, who worked closely with their governments, was almost $2 trillion in 2014, an increase of about 385 percent from 2004. That is about one-third of the total wealth of billionaires around the world.

The *National Review* defined crony capitalism as "…an insidious system in which businesses' success is based on a close relationship with government and, specifically, with the people in power who dispense favors, subsidies, bailouts, and other forms of special treatment."

The Economist offered some specific examples. "As commodity and property prices soared, so did the value of permits to dig mines in China or build offices in São Paulo. Telecoms spectrum doled out by Indian officials created instant billionaires. Implicit state guarantees let casino banking thrive on Wall Street and beyond."

In an effort to measure the influence of crony capitalism on wealth, *The Economist* developed an index. The publication took *Forbes'* annual lists of the world's billionaires, designated each billionaire as crony or not-crony (as determined by the industry in which he or she had accumulated wealth), sorted them by country, and then calculated wealth as a percent of their country's gross domestic product (GDP).

Russia, Malaysia, Philippines, Singapore, and Ukraine topped the 22-country index in 2016. Germany, Poland, South Korea, Japan, and France were at the bottom. The United States was 15th on the list. U.S. billionaires' wealth is equivalent to about 13 percent of GDP, but wealth earned through crony capitalism accounts for just 2 percent of that amount.

Weekly Focus – Think About It

"The price of success is hard work, dedication to the job at hand, and the determination that whether we win or lose, we have applied the best of ourselves to the task at hand."

--*Vince Lombardi, Past Coach of the Green Bay Packers*

Best Regards,

Scott J. LeClaire, CFP®, ChFC

Securities offered through Commonwealth Financial, Member FINRA/SIPC.

* These views are those of Peak Advisor Alliance, and not the presenting Representative or the Representative's Broker/Dealer, and should not be construed as investment advice.
* This newsletter was prepared by Peak Advisor Alliance. Peak Advisor Alliance is not affiliated with the named broker/dealer.
* 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:
http://www.barrons.com/articles/trump-on-the-debt-the-dollar-and-yellens-fed-1462593730?mod=BOL_hp_we_columns (*or go to* https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/05-09-16_Barrons-Trump_on_the_Debt_the_Dollar_and_Yellens_Fed-Footnote_1.pdf)
https://www.bea.gov/newsreleases/national/gdp/gdphighlights.pdf
http://www.barrons.com/articles/SB50001424053111904897104579149772682783890 (*or go to* https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/05-09-16_Barrons-Slowing_to_a_Crawl-Footnote_3.pdf)
http://hbswk.hbs.edu/item/what-does-slower-economic-growth-really-mean
http://www.reuters.com/article/us-usa-stocks-idUSKCN0XX0ZT
http://www.economist.com/blogs/graphicdetail/2016/05/daily-chart-2 (*or go to* https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/05-09-16_TheEconomist-Comparing_Crony_Capitalism_Around_the_World-Footnote_6.pdf)

http://www.nationalreview.com/article/422402/republicans-and-crony-capitalism-michael-tanner
http://www.economist.com/news/leaders/21698261-how-disentangle-business-government-dealing-murky-moguls (*or go to* https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/05-09-16_TheEconomist-Dealing_with_Murky_Moguls-Footnote_8.pdf)
http://www.brainyquote.com/quotes/quotes/v/vincelomba125250.html?src=t_success."