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| **RESOURCE LOG –August 2016** | | | | |
| **Article Title** | **Detail** | **Publication** | **Date** | **Author** |
| Business Spending in Economic Spotlight | After a string of upbeat data in recent weeks stoked optimism that the economy was heading in the right direction, Friday’s poor reading on growth caught nearly everyone by surprise. The U.S. economy expanded at a 1.2% annual rate in the second quarter, about half of what economists had expected.  Weak business investment was the culprit. Whether this has far-reaching implications across the economy, particularly for already-fragile manufacturing activity, is a key question.  Of course, most companies still make money and need to deploy their cash. Even with rates so low, they still prefer to pay dividends and buy back their own stock than invest in the future. That has been good for stocks, but not so good for the economy. In this seven-year economic recovery, the 2.1% average annual growth rate has been the weakest in the postwar era. | The Wall Street Journal | 08/01/2016 | Steven Rusolillo |
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| What’s News | ♦ Oil entered a bear market amid the continuing supply glut. Nymex crude futures fell $1.54, or 3.7%, to $40.06. | The Wall Street Journal | 08/02/2016 |  |
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| What’s News | U.S. stocks declined as the oil-price drop pulled down the energy sector. The Dow fell 27.73 to 18404.51. | The Wall Street Journal | 08/02/2016 |  |
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| Economic Uncertainty Casts shadow on Company Earnings | America’s biggest companies logged a fourth straight quarter of shrinking profits and tepid sales, as weakness from energy companies and lower business investment more than offset U.S. consumer strength.  Earnings reports for the second quarter showed improvement from the first three months, but concerns about the country’s economic prospects are casting a shadow over the outlook for the remainder of the year. Executives said they are worried about slowing industrial production and a tumultuous political climate.  The pain is broad-based: Only the consumer-discretionary, health-care and utilities sectors are expected to see profits grow by more than 5%. Quarterly earnings are forecast to decline by 87% for energy companies, 3.6% for financial firms and 1.4% for telecommunications companies, according to Thomson Reuters. | The Wall Street Journal | 08/03/2016 | Theo Francis and Kate Linebaugh |
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| What’s News | ♦ The Dow rose 41.23 points to 18355.00, ending a seven-day losing streak, as energy and financial share rallied. | The Wall Street Journal | 08/04/2016 |  |
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| A New Tool at Central Banks | Central banks have a new favorite tool for boosting lack-luster growth: corporate-debt purchases.  Two months after the European Central Bank started buying corporate bonds, the Bank of England announced Thursday that it would adopt a similar strategy. It will buy up to £10 billion ($13.33 billion) of U.K. corporate debt starting in September as part of a larger package of stimulus measures, including £60 billion of additional government-bond purchases.  The move, investors and analysts say, is likely to drive down borrowing costs even further around the globe for large companies already benefiting from ultralow interest rates.  But the decision again raises concerns about possible side effects of unconventional monetary policies, including excessive risk taking by investors, and faces substantial skepticism from investors who doubt such programs meaningfully address the global economy’s core deficiencies, centering on soft demand for goods and services.  In the U.S., the average yield of investment-grade corporate bonds was 2.85% Wednesday, compared with 3.67% at the end of 2015, according to Barclays PLC data. | The Wall Street Journal | 08/05/2016 | Sam Goldfarb and Christopher Whittall |
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| U.K. Stimulus Sinks Pound, Gilt Yields | The Bank of England’s larger-than-expected package of stimulus measures Thursday sent the pound tumbling and yields on U.K. government bonds to a record low, demonstrating how some central banks retain the ability to jolt markets.  In the U.S., government bonds strengthened, with the yield on the benchmark 10-year Treasury note falling to 1.503% from 1.542% Wednesday. Yields fall when prices rise. | The Wall Street Journal | 08/05/2016 | Christopher Whittall and Georgi Kantchev |
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| U.K. Rate Slashed To Lowest In History | The Bank of England cut its benchmark interest rate to the lowest in its 322-year history and revived a financial crisis-era bond-buying program to cushion the U.K. economy from the aftershocks of the vote to leave the European Union.  The BOE sharply cut its growth forecast for 2017, marking the biggest downgrade since it began publishing such predictions in 1993, saying the outlook had “weakened materially”. | The Wall Street Journal | 08/05/2016 | Jason Douglas and Paul Hannon |
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| What’s News | ♦ The central bank’s moves sent the pound tumbling and U.K. government bond yields to a record low. | The Wall Street Journal | 08/05/2016 |  |
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| Robust Hiring Spurs Fed Watch | The U.S. labor market in July capped off the best two-month stretch of hiring so far this year despite global turbulence and slower business spending, posing a challenge for the Federal Reserve as it aims to raise interest rates again in coming months without spooking investors.  The latest figures spurred relief after an ugly May jobs report, a dim first-half U.S. growth reading, falling corporate profits and retreating business spending. At least in the short term, the economy appears to be on solid footing despite longer-run worries. | The Wall Street Journal | 08/06-07/2016 | Jeffrey Sparshott |
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| Oil Fall Spurs Wider Fears  *Energy-price decline could spread to stocks, riskier bonds, some managers say* | Concern is again growing that the oil market could turn into a negative for stocks and high-yield bonds, despite Friday’s record closes in the S&P 500 and Nasdaq Composite indexes.  U.S. crude for September delivery dropped below $40 a barrel on Tuesday, marking its lowest close since April and the 10th decline in 12 trading sessions, before rebounding to end the week at $41.80. Oil is down 18% since early June.  Many investors blame oil declines in part for the broad rout early this year that send the Dow Jones Industrial Average down more than 10%. | The Wall Street Journal | 08/08/2016 | Ben Eisen and Timothy Puko |
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| Productivity Fall Imperils Growth | The longest slide in worker productivity since the late 1970s is haunting the U.S. economy’s long-term prospects, a force that could prompt Federal Reserve officials to keep interest rates low for years to come.  Productivity is a key ingredient in determining growth in wages, prices and overall economic output, and other advanced economies are battling similar slowdowns. | The Wall Street Journal | 08/10/2016 | Ben Leubsdorf |
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| What’s News | ♦ The world’s output is falling behind demand, clearing out current oversupply, the IEA said. | The Wall Street Journal | 08/12/2016 |  |
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| What’s News | ♦ Most economists in a survey said they thing the Fed will hold off on its next rate rise until December. | The Wall Street Journal | 08/12/2016 |  |
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| U.S. Stocks Notch a Record Trifecta | For the first time since the dot-com boom was in full swing, all three major U.S. stock indexes reached new records on the same day.  Thursday’s feat, is a testament to investors’ willingness to beet on stocks despite signs that they have risen too far.  The Dow Jones Industrial Average ended the day up 117.86 points to 18613.52, …  Stocks are benefiting from years of central banks’ easy-money policies that have pushed buyers into risky assets. | The Wall Street Journal | 08/12/2016 | Timothy Puko |
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| Some See Further Gains for Stocks | This year, the Dow is up 6.8%, the S&P 6.9% and the Nasdaq Composite 4.4%.  The consensus one-year target for the Dow Jones Industrial Average is now more than 20000 as of Tuesday, up from around 18860 in February just before stocks hit a 2016 low, according to S&L Dow Jones Indices.  Others say while they believe stocks will continue to creep up in coming months, they don’t foresee a “melt-up,” which is commonly defined as a sudden and unexpected period of stock-market gains. | The Wall Street Journal | 08/12/2016 | Corrie Driebusch and Aaron Kuriloff |
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| Retailers Suffer as Services Take Off | U.S. retail sales barely budged in July according to data released Friday, capping a week of tepid earnings results from department stores and underlining a seismic shift in consumer spending.  Americans are still splashing out, but they are splurging less on goods such as apparel and electronics and more on entertainment, travel and health care.  Retail now represents only a slice of household outlays, with consumption of services making up about two-thirds of all personal expenditures. | The Wall Street Journal | 08/13-14/2016 | Suzanne Kapner and Jeffrey Sparshott |
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| Stocks Keep Steady Stride | The stock market is showing shades of 1999, but this time around investors appear more cautious in contrast to the “irrational exuberance” of the dot-com bubble.  All three major U.S. stock indexes reached highs Thursday, the first triple-record day since Dec. 31, 1999.  The Nasdaq is trading near 24 times its past 12 months of earnings, according to Thomson Reuters data. That is above the 10-year average of 20, but well below the multiple of 59 at the end of 1999.  As of Thursday, the American Association of Individual Investors’ weekly sentiment survey showed 31% of individual investors said they were bullish. On Dec. 30, 1999, the figure was 60%.  Worriers about corporate and economic growth have kept investors wary this year. | The Wall Street Journal | 08/13-14/2016 | Corrie Driebusch and Aaron Kuriloff |
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| Bond Funds Turn Up Risk | Bond-investment funds that usually have little appetite for riskier debt are boosting their exposure to the developing world, a move that is helping drive this year’s emerging-markets rally.  …the big money managers that have been increasing their positions in emerging-market debt in recent months. That shift reflects how global bond funds are feeling the pinch from low U.S. interest rates and negative rates in Japan and much of Europe.  Government bonds with negative yields have grown to $11.4 trillion, mostly in developed markets, according to Fitch Ratings.  The average bond yield on Bank of America’s developed-market index is 0.56%, compared with 4.44% for emerging-market sovereign bonds.  But by scaling back their exposure to negative rates, many global bond managers are taking on other risks.  Some of the same investors got burned last year when emerging-market bonds in local currencies lost 15% in response to slowing Chinese economic growth, slumping commodities prices and fears of tighter U.S. monetary policy. | The Wall Street Journal | 08/15/2016 | Carolyn Cui and Mike Bird |
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| Stock Values Flash a Warning | Lower your sights.  The U.S. stock market’s trifecta of record index values last week, its first since 1999, comes with a glaring warning that isn’t getting as much attention as it deserves; rising valuations.  Today’s valuation falls into the top tenth of historical observations, based on data since the 1880s. | The Wall Street Journal | 08/15/2016 | Steven Russolillo |
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| Not The Longest | The longest bull market for the S&P 500 since 1950 lasted 3,452 calendar days, i.e., the 9 ½ years from 10/11/90 to 03/24/00. The current bull market for the S&P 500 is 2,713 calendar days long as of Friday 08/12/16, i.e., the approximate 7 ½ years from 03/09/09 to last Friday 08/12/16. The current bull would have to last until 08/22/18 (i.e., 2 more years from now) to reach 3,453 calendar days. The S&P 500 consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value weighted index with each stock’s weight in the index proportionate to its market value (source: BTN Research). | Direxion | 08/15/2016 |  |
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| What’s News | Stocks rose to records, led by gains in commodity-linked shares. The Dow climbed 59.58 to 18636.05. | The Wall Street Journal | 08/16/2016 |  |
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| Dollar’s Fall Signals Rate Doubts  *Fed officials hint at increase by year-end, but investors appear wary of any tightening* | The dollar tends to rise against foreign currencies when investors anticipate a U.S. rate increase, reflecting the expectation that bond yields and investment returns will rise.  The decline in the dollar send a powerful signal that investors believe soft economic growth around the world will limit the Fed’s capacity to tighten policy as promised. If borne out, the trend for now could help support this year’s rallies in the Dow Jones Industrial Average, which hit a high Monday before…. | The Wall Street Journal | 08/17/2016 | Chelsey Dulaney and David Harrison |
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| Dividends Eat Up Bigger Slice of company Profits | Big companies are handing more of their profits to shareholders than at any time since the financial crisis, as record-low bond yields put a premium on dividends.  Payouts at the S&P 500 companies for the past 12 months amounted to almost 38% of net income over the period, according to FactSet, the most since February 2009.  Companies have long spent large sums on dividends and share repurchases to boost their share prices. Investors now are clamoring more for dividends as a result of plunging interest rates, and companies are loath to disappoint them despite slow growth that is pressuring earnings at many firms. | The Wall Street Journal | 08/19/2016 | Mike Bird, Vipal Monga and Aaron Kuriloff |
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| Energy Helps Lift Stocks; Oil Rises 3.1%  *Crude’s jump since early this month follows declining inventories and hopes for output cap* | U.S. stocks rose as oil prices rallied.  U.S. crude-oil prices have risen more than 20% since they dipped below $40 a barrel early this month, boosted by falling stockpiles and hopes that the world’s largest exporters will cap output.  The S&P 500 added 4.80 points, or 0.2%, to 2187.02. the Dow Jones Industrial Average rose 23.76 points, or 0.1%, to 18597.70 and the Nasdaq Composite gained 11.49 points, or 0.2%, to 5240.15.  U.S. stocks have notched all-time highs in recent weeks, while European stocks have staged a steep recovery from their post-Brexit lows. | The Wall Street Journal | 08/19/2016 | Ira Iosebashvili and Timothy Puko |
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| Stocks Falter on Bets Of Increase in Rates | U.S. stocks slipped slightly, as investors’ expectations for a Federal Reserve rate increase later this year rose.  In a quiet session, the Dow Jones Industrial Average fell 45.13 points, or 0.2%, to 18552.57 and the S&P 500 declined 3.15 points, or 0.1%, to 2183.87 | The Wall Street Journal | 08/20-21/2016 | Corrie Driebusch and Riva Gold |
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| Emerging Markets’ Bills Coming Due | The Bank for International Settlements warned Thursday that a corporate-debt binge for emerging-market countries that started in 2010 is starting to come due now.  “The high level of corporate debt has contributed to over-heating in some of these economies, thus increasing the risk of financial distress in the coming years,” the BIS said in a research note…  According to economic indicators, Brazil, China and Turkey are the most vulnerable to a domestic banking crisis,…  Low yields have driven international investors to flee advanced economies for developing ones – except for China.  But while these countries seem more prepared to deal with full-blown crises, signs of stress in global markets appear increasingly related to the dollar getting stronger. This suggests economic growth in these nations still is linked to global liquidity originating in developed countries. | The Wall Street Journal | 08/20-21/2016 | Jon Sindreu |
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| Stimulus Efforts Get Weirder  *As central banks run out of bonds to buy, they flood corporations with cheap money* | The European Central Bank’s corporate-bond-buying program has stirred so much action in credit markets that some investment banks and companies are creating new debt especially for the central bank to buy.  In the past decade, wide-scale purchases of government bonds – a bid to lower the cost of borrowing in the economy and persuade investors to take more risk – have become commonplace. Now, they are all but inviting private actors to concoct specific things for them to buy so they can continue pumping money into the financial system. | The Wall Street Journal | 08/22/2016 | Christopher Whittall |
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| Yield Chasers Pressure Volatility Insurance | In the U.S., the CBOE VIX volatility index, which measures the implied volatility of options in the S&P 500 stock-market index, is close to record lows.  Buyers of options get to fix a price at which they can buy or sell securities. That makes them a nice form of insurance against price swings.  Sellers of options get paid premiums to compensate them for the risk of swings.  Volatility is now broadly subdued, which many analysts attribute to loose monetary policies by central banks, fueling the belief it will remain low in the near future as well. | The Wall Street Journal | 02/23/2016 | Jon Sindreu |
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| Risk Grows in Safe Stocks | Companies in sectors that usually provide reliable, and even rising, dividends have seen their share prices driven upward, even without a consummate improvement in profitability. That has pushed price/earnings ratios to the highest levels in years in parts of the market.  …company dividend isn’t the same as a bond’s coupon. Failure to pay the coupon on a bond means a company or country had officially defaulted. Dividends, on the other hand, are usually discretionary.  Defensive equities aren’t the only place where investors are hunting for yield. Emerging-market bonds are back in fashion too.  For as long as bond yields in advanced economies stay low, investors are likely to look for bond-like assets elsewhere, including the equity market. But that also exposes those stocks to the serious risk of a selloff if interest rates rise more quickly than expected. | The Wall Street Journal | 08/23/2016 | Mike Bird |
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| What’s News | A slowdown in tax receipts, especially from corporate profits, will cause the budget deficit to widen this year. | The Wall Street Journal | 08/24/2016 |  |
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| Investors Are Tepid on Eurozone | Steady as she goes. The Eurozone economy is proving remarkably stable.  That growth rate, in turn, is in line with the average since the Eurozone emerged from its double-dip recession in 2013.  But European stocks aren’t feeling the love. While U.S. equity indexes have notched records, the Stoxx Europe 600 remains some 17% adrift of tis April 2015 record.  But the real rush this year has been into emerging markets, which have proved more attractive by being unpopular, relatively cheap and with the promise of higher growth to come.  The emerging-markets trade clearly has momentum on its side. But it might yet face a challenge if the Federal Reserve were to grow more hawkish. | The Wall Street Journal | 08/24/2016 | Richard Barley |
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| Political Risks Threaten Europe Stocks | Stocks in Europe are looking pretty cheap – but this time, investors aren’t rushing.  With lackluster corporate profits, tepid economic growth and a fragile banking system, the market is vulnerable to a range of political risks in coming months that could derail the region’s feeble recovery, investors say.  The European Central Bank’s willingness to buy government bonds in Europe’s trouble spots has helped subdue what would otherwise have marked a period of more pronounced volatility, investors say. | The Wall Street Journal | 08/24/2016 | Riva Gold and Georgi Kantchev |
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| What’s News | ♦ Sales of existing homes slipped in July, a sign that higher prices are taking a bite out of housing demand. | The Wall Street Journal | 08/25/2016 |  |
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| What’s News | ♦ U.S. stocks fell as drug-pricing concerns pushed health-care shares lower. | The Wall Street Journal | 08/25/2016 |  |
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| Oil Firms Binge on Debt  *Surge in borrowing amid low crude prices raises fears on capital spending, dividends* | Some of the world’s largest energy companies are saddled with their highest debt levels ever as they struggle with low crude prices, raising worries about their ability to pay dividends and find new barrels.  Exxon Mobil Corp., Royal Dutch Shell PLC, BP PLC and Chevron Corp. hold a combined net debt of $184 billion – more than double their debt levels in 2014, when oil prices began a steep descent that eventually bottomed out at $27 a barrel earlier this year. Crude prices have rebounded since, but still hover near $50 a barrel.  The soaring debt is a fresh reminder of the toll the two-year price slump has taken on the oil industry.  The companies spent more than 100% of their profits on dividends last year.  “they are just not spending enough to boost production”, said Jonathan Waghorn, co-portfolio manager in London at Guinness Atkinson Asset Management Inc. | The Wall Street Journal | 08/25/2016 | Selina Williams and Bradley Olson |
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| Dividends Are What Matter Now  *Many investors turn to high-yielding shares as interest rates slide, but risk could increase* | Dividends are playing an unusually large role in the stock market’s run to record highs, adding to investors’ concerns about stretched valuations and soft corporate earnings.  The five-year rolling correlation between S&P 500 companies’ dividend yield and the index’s performance has been at0.80 or above for the five quarters through June, according to S&P Global Market Intelligence. That is the highest since 1993 and up from an average of minus -0.1 dating back to 1941.  That risk appears particularly acute in part because earnings, historically the strongest driver of stock-price gains, are in retreat and valuations are above long-term averages.  The S&P 500 index is near its highest level ever, remaining there even as the earnings of the companies that make up the index fell for the fifth consecutive quarter during the April-to-June period, according to FactSet. | The Wall Street Journal | 08/25/2016 | Ben Eisen |
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| Yellen Sends Strong Signal on Rates  *Fed chairwoman opens door to September hike, citing solid job growth, economic outlook* | Federal Reserve Chairwoman Janet Yellen signaled growing conviction that the central bank will raise short-term interest rates possibly as soon as next month.  Her comments left the door open for a Fed rate increase at its Sept. 20-21 policy meeting,… | The Wall Street Journal | 08/27-28/2016 | Jon Hilsenrath and Harriet Torry |
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| Labor Productivity has Slowed to a Crawl | ♦ Labor productivity defined as real output per labor hour dropped by 0.5% in the 2nd quarter of 2016,…  ♦ Productivity has been drifting lower since 2004 and is currently near its lowest levels since the early 1980s. If labor productivity continues to remain at low levels it will have adverse effects on U.S. economic growth. Weaker productivity hurts corporate profits and threatens workers’ wages.  Labor productivity growth is determined by three factors: labor quality, investments in physical assets (capital deepening) and increases in new technological innovations (a.k.a. total factor productivity). While each of these factors may have contributed to the decline in labor productivity, the reduction in capital expenditures is alarming. | Piper Jaffray & Co. | 08/29/2016 | Dimitri Delis, Ph.D. |
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| Talking Points for Daily Use | A 65-year-old couple retiring this year will need an estimated $260,000 to cover health care costs in retirement, a 6% increase over the 2015 calculation. The new estimate was the highest since Fidelity started making calculations in 2002. Not included in the estimate were other health-related expenses, such as over-the-counter medications, most dental services and long-term care. | Mark Zinder and Associates | 08/29/2016 | Mark Zinder |
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| Beneath a Quieter Yuan, Fears Over China Are Rising | Twice in the past year, sudden drops in the value of the yuan have rattled global markets, sparking concerns that a deeper decline was at hand as officials struggle to orchestrate an economic “soft landing” following years of debt-fueled growth.  Yet in a refrain familiar by now to investors the world over, analysts are worrying that stimulus alone won’t be enough to get China’s growth back on track and support the yuan indefinitely. Fundamental indicators of Chinese economic health continues to deteriorate… | The Wall Street Journal | 08/29/2016 | Carolyn Cui and Lingling Wei |
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| Dividend Funds Risk Losing Their Appeal | Overall, assets in mutual funds and exchange-traded funds focused on dividend-paying shares have swelled to $672.6 billion, nearly double the $367.3 billion in assets those funds held at the end of 2011, according to Morningstar.  But this growth has led to concern from many that the area has become overheated.  The total return of actively managed U.S. stock funds overall is 6.5% this year through Aug. 24, according to data provider Morningstar Inc., compared with an 8% return for the S&P 500 over that period.  Helping dividend-focused funds beat the broader market are companies that are paying more of their profits to shareholders than at any time since the financial crisis. | The Wall Street Journal | 08/29/2016 | Sarah Krouse |
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| Dollar Lift Gathers Steam  *As Federal Reserve signals a rate increase, traders watch for a stronger greenback* | The U.S. currency hit its highest level in three weeks on Monday, reflecting expectations that the Federal Reserve could increase short-term interest rates as soon as next month. Higher rates make dollar-denominated assets more attractive.  Any large currency shifts could roil other asset classes, from U.S. stocks to emerging-markets bonds to many commodities, that have benefited from the dollar’s weakness. | The Wall Street Journal | 08/30/2016 | Ira Iosebashvili and Chelsey Dulaney |
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| What’s News | ♦ U.S. stocks posted gains in the lightest trading day this year. The Dow climbed 107.59 points to 18502.99. | The Wall Street Journal | 08/30/2016 |  |
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| What’s News | ♦ U.S. stocks eased, while as the dollar gained on the outlook for Fed action on rates. The Dow fell 48.69. | The Wall Street Journal | 08/31/2016 |  |

“Evils which are patiently endured when they seem inevitable become intolerable once the idea of escape from this is suggested.” Alexis de Tocqueville

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