AMJ Financial Wealth Management
Weekly Market Commentary
July 15, 2013

The Markets

One of these things is not like the other… If you find yourself humming that old Sesame Street standard when you think about financial markets and world economies, you're probably not alone.

To the consternation of many, the Dow Jones Industrials Average and the Standard & Poor's 500 Index rocketed to new highs last week just as the International Monetary Fund (IMF) cut its global economic growth forecast for 2013 and 2014.

Many in the media pointed fingers and announced, "That's the problem right there!" Of course, the fingers were pointing at Ben Bernanke and the Federal Reserve which continued to dither about Quantitative Easing (QE) last week. While it may feel good to lay blame, the Fed is just one tree in the forest of market volatility and economic growth.

Let's take a look at another section of the forest: emerging markets. They are expected to power 60 percent of the world's economic activity by 2030. Yet, just last week, China's exports slumped, and Brazilian and Indonesian central banks raised interest rates (which generally slows growth). Turkey's central bank may do the same next week. Is slowing growth in emerging markets the Fed's fault?

While higher rates in the U.S. may hurt emerging markets, many of those countries have problems of their own, including infrastructure bottlenecks and excessive credit expansion. Last March, the Financial Times quoted Deutsche Bank strategist John-Paul Smith who wrote:

> "We believe that 2013 will mark the year when economists and investors focus on the underlying imbalances within the Chinese economy and, accordingly, reduce their expectations of sustainable growth over the medium term. The deterioration in the perception of China is likely to have a very disruptive effect on (global emerging market) equities..."

Smith's forecast proved out. Early last week, the International Monetary Fund (IMF) lowered expectations for China's growth to the high-seven percent range.

Of course, it's not easy to predict the future. Irrefutable evidence of that arrived a few days after the IMF's report when Lou Jiwei, China's Minister of Finance, said his country's growth rate could fall to 7.0 percent or even lower. Economists gasped.

China's official growth target (set by the National People's Congress) is 7.5 percent, not 7.0 percent or lower. According to *The Wall Street Journal*, "Such a sharp downshift in China's growth would send ripples around the world economy, hitting everything from iron-ore demand in Australia to sales of luxury handbags in Hong Kong stores."

Data as of 7/12/13	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	3.0%	17.8%	25.9%	16.0%	6.7%	5.3%
10-year Treasury Note (Yield Only)	2.6	N/A	1.5	3.1	3.9	3.7
Gold (per ounce)	5.5	-24.4	-17.8	2.0	5.7	14.0
DJ-UBS Commodity Index	2.3	-7.6	-7.4	0.7	-11.0	1.0
DJ Equity All REIT TR Index	3.8	9.6	13.2	18.3	9.8	11.0

Notes: S&P 500, Gold, DJ-UBS 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 TR 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.

IN AMERICA, PEOPLE ARE STILL PULLING THEMSELVES UP BY THEIR BOOT STRAPS. Three-fourths of the folks who participated in the *2013 U.S. Trust Insights on Wealth and Worth* (all of whom have $3 million or more in investable assets) made their money the old fashioned way. They worked, owned businesses, and/or invested.

Most believe they’re financially secure and feel confident about the future. While that proved true for many aspects of financial planning, the study uncovered some unrecognized risks, many of which have been created by a volatile investment environment and changing tax laws. They include:

- **Incomplete retirement planning.** Although the vast majority of those surveyed are very confident about having the income they need during retirement, many have overlooked factors which affect income and assets such as lifestyle expectations, out-of-pocket healthcare expenses, long-term care costs, and others.

- **Financial support for extended family.** Almost one-half of those surveyed provide significant support to members of their extended families (including parents, in-laws, siblings, and grown children). However, the majority have not included that fact in their financial plans.

- **Conflicted emotions about investing.** The majority of survey participants said growing assets is more important than preserving them today; however, they also said lowering risk is a higher priority than pursuing higher returns.

- **Tax law changes.** A majority of wealthy people do not understand the ways in which tax law changes may affect their income, investments, or estates. Few understand the tax strategies which may be available to them.

Weekly Focus – Think About It

“Tell me and I forget. Teach me and I remember. Involve me and I learn.”

--Benjamin Franklin, inventor and statesman

Best regards,

Angela M Bender

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 group of securities considered to be representative of the stock market in general.

* 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 London afternoon gold price fix as reported by the London Bullion Market Association.

* The DJ 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 TR 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.

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