

# AMJ Financial Wealth Management

## Weekly Market Commentary

### August 17, 2015

#### The Markets

Stock markets in the United States got off to a good start last week, heading higher before stumbling over China's currency news.

China, which has one of the world's largest and fastest growing economies, is experiencing a slowdown in economic growth. *The Economist* reported data released last week showed, "...an 8 percent fall in Chinese exports in July and a 5.4 percent drop in factory-gate prices. Output prices have fallen for 41 straight months, a symptom of overcapacity in much of China's heavy industry." *MarketWatch* suggested China may be in (or on the verge of) recession.

In an effort to slow its slowdown, China announced an unexpected devaluation of its currency, the renminbi, last week. Don't confuse the terms renminbi and yuan. Renminbi is the name of China's currency. Yuan describes a unit of that currency. For instance, when shopping in China, you would not ask how many renminbi you owed, you would ask how many yuan you owed.

*Barron's* questioned whether China's relatively small currency adjustment would be enough to help its economy and speculated last week's devaluation could be the tip of the iceberg:

"One wonders what a 3 percent adjustment in the yuan will do to spur China's economy... To a longtime observer of finance ministers and central bankers, the claim that the initial moves to tweak currencies will suffice is a familiar refrain. The larger the underlying imbalance, the larger the eventual exchange-rate adjustment."

A Fed spokesman told *The Wall Street Journal* China's new currency policy has significant implications for the world economy and it probably won't affect the Fed's impending rate hike.

The currency devaluation didn't have a sustained affect on U.S. stock markets last week. Major U.S. stock markets finished the week higher. China's benchmark national index was up for the week, too.

Data as of 8/14/15	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.7%	1.6%	7.0%	14.2%	14.2%	5.4%
Dow Jones Global ex-U.S.	-1.5	0.1	-7.6	5.1	3.3	2.1
10-year Treasury Note (Yield Only)	2.2	NA	2.4	1.7	2.6	4.3
Gold (per ounce)	2.3	-6.8	-14.9	-11.2	-7.8	9.7
Bloomberg Commodity Index	-0.1	-13.4	-28.1	-14.0	-7.3	-5.8
DJ Equity All REIT Total Return Index	1.5	0.6	8.5	11.1	14.0	7.5

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.

**WHAT DOES THE FUTURE HOLD?** It's not stuff most of us think about every day, but we may soon be a lot more familiar with terms like brain organoids, megascale desalination, Internet balloons, liquid biopsies, and more. At least, that's what the *MIT Technology Review* reported in *Breakthrough Technologies 2015*:

“Not all breakthroughs are created equal. Some arrive more or less as usable things; others mainly set the stage for innovations that emerge later, and we have to estimate when that will be. But we'd bet that every one of the milestones on this list will be worth following in the coming years.”

Here are a few of the items included on the list:

- **Brain organoids:** In greatly oversimplified terms, these are miniature brains that can be grown from an adult's cells. They may help researchers better understand brain disorders and develop effective treatments.
- **Megascale desalination:** The world does not have enough fresh water. One solution is seawater desalination. Thanks to engineering improvements, reverse-osmosis desalination has become cost-effective.
- **Internet balloons:** Imagine 15-meter helium balloons with solar-powered electronics hovering 20 kilometers in the air (far above commercial airline flights) and making the Internet available to people who currently have no access.
- **Liquid biopsies:** Someday soon, annual blood tests may help diagnose cancer early. Gene sequencing machines decode millions of fragments of DNA in the bloodstream, looking for specific DNA patterns that indicate cancer. Knowing the DNA mutation behind a cancer may also help physicians choose the most effective treatments.

It's important to keep track of developing technologies because they have the potential to disrupt industries and change the way business is done.

### **Weekly Focus – Think About It**

“Any sufficiently advanced technology is indistinguishable from magic.”

--Arthur C. Clarke, *British science fiction writer*

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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\* 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.

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