WEEKLY MARKET COMMENTARY

For the Week of Oct. 13, 2014

THE MARKETS

Markets fell Friday, dropping the S&P 500 and the NASDAQ to their largest weekly declines since May 2012. Concerns about weak economic growth – particularly in Europe –effected U.S. earnings and led to the week's selloff. On Friday, Standard & Poor lowered France's credit outlook while Germany – the continent's largest economy – shared weak data as well. For the week, the Dow fell 2.70 percent to close at 16,544.10. The S&P lost 3.09 percent to finish at 1,906.13 and the NASDAQ dropped 4.45 percent to end the week at 4,276.24.

Returns Through 10/10/14	1 Week	YTD	1 Year	3 Year	5 Year
Dow Jones Industrials (TR)	-2.70	1.60	11.93	16.02	13.81
NASDAQ Composite (PR)	-4.45	2.39	13.71	18.56	14.86
S&P 500 (TR)	-3.09	4.78	14.95	19.41	14.60
Barclays US Agg Bond (TR)	0.63	5.14	5.10	2.99	4.35
MSCI EAFE (TR)	-2.41	-6.56	-0.83	10.11	5.27

Source: Morningstar.com. *Past performance is no guarantee of future results. Indexes are unmanaged and cannot be invested into directly. Three- and five-year returns are annualized. The Dow Jones Industrials, MSCI EAFE, Barclays US Agg Bond and S&P, excluding "1 Week" returns, are based on total return, which is a reflection of return to an investor by reinvesting dividends after the deduction of withholding tax. The NASDAQ is based on price return, which is the capital appreciation of the portfolio, excluding income generated by the assets in the portfolio in the form of interest and dividends. (TR) indicates total return. (PR) indicates price return. MSCI EAFE returns stated in U.S. dollars.

Out of Work — The national unemployment rate in the U.S. was 5.9 percent at the end of September 2014, the lowest unemployment rate reported by the government since July 2008. The 9.3 million Americans who are out-of-work is also the lowest total reported since July 2008 and is down 1.1 million since the beginning of calendar year 2014 (source: Department of Labor, BTN Research).

Not My Call — Forty-eight percent of current retirees exited the labor force earlier than they had planned as a result of health issues, downsizing by an employer or the need to become a caregiver for an ailing family member (source: The Wharton School, BTN Research).

Select Few — Only one in eight American workers (13 percent) has access to both a defined benefit pension plan and an employer-sponsored defined contribution plan, e.g., 401(k), half the percentage (26 percent) that had access to both types of plans 30 years ago (source: Survey of Consumer Finances, BTN Research).

WEEKLY FOCUS – Controlling Emotions in a Down Market

The volatility of the market last week is causing concerns for many investors. Fueling that volatility are continuous headlines about how economic uncertainty – both foreign and domestic – is driving recent stock market activities. These uncertain times can be challenging, even to experienced investors.

It can be difficult not to get emotional in this kind of market and to balance your anxiety with reason. Research shows our brain constantly wants to be happy, and faced with making investment decisions, it will go looking for ways to support its quest for happiness. We envelop ourselves with information – from the media, the stock ticker, cocktail party conversations – and gain a sense of satisfaction that we have superior knowledge, when ultimately, we don't. That false sense of knowledge may lead us to make an investment decision based on past performance – despite prospectus disclaimers warning us that past performance does not guarantee future gain.

Bear markets can tend to over-correct and undervalue stocks because of investor fear, in the same way that stocks, in the final stage of bull markets, can become overvalued. One of the worst things to do is essentially buy high, sell low. Selling out at some of today's lows and putting the cash someplace equivalent to the mattress in the bedroom is not what you want to do. It's important to get past those basic emotions and stay focused on long-term results.

Keep market activities in perspective by remembering that corrections, and recoveries, are normal parts of economic cycles. While not a guarantee of future results, history has shown time and again that in the long run, traditional asset classes, such as stocks, bonds and bills, have all grown.

Having a historical perspective and a sound financial strategy can help provide the sense of security and confidence needed to stay-the-course, even in today's market volatility, to ultimately achieve your investing goals. If you have concerns about your financial plan and investment strategies, don't hesitate to call our office to set up an appointment. A thorough review of your portfolio can make you more confident about your decisions.

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