

## Weekly Market Commentary April 18, 2016

### The Markets

Isn't it remarkable that China's growth is so consistent?

A columnist from *The Washington Post* once opined that China “produces an astonishing number of astonishing numbers.”<sup>1</sup> Last week's GDP announcement, which helped push markets higher, may fall into that category.

China's official statistics agency reported the country's gross domestic product (GDP) grew by 6.7 percent during the first quarter of 2016. That didn't come as a big surprise because it's smack-dab-in-the-middle of the official Chinese government target of 6.5 to 7.0 percent GDP growth. The target was set last year when the government adopted its most recent five-year plan.<sup>2</sup>

Not everyone thinks China's official statistics are on the money. *The Conference Board (TCB)*, an independent global research association, has found:<sup>3</sup>

“...an upward bias in the previously published GDP growth series of, on average, 2.6 percentage points per year since the start of Deng Xiaoping's so-called “reform era” that began in 1978, this percentage has not been constant over time. In fact, our alternative series indicates much larger volatility in the year-on-year estimates (sometimes even showing faster growth rates than the official estimates), suggesting that the impacts of external and internal shocks on the Chinese economy are much more pronounced than the official statistics convey.”

In other words, China's growth may not be as steadfast and unwavering as the country's government would have us believe.

*TCB* estimated China's GDP grew by 3.7 percent during 2015, which was significantly lower than the Chinese government's 6.9 percent growth estimate. In fact, *TCB* expects the Chinese economy to grow by 3.7 percent in 2016, too.<sup>4,5</sup> It's not 6.5 percent, but it's solid growth.

Data as of 4/15/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.6%	1.8%	-1.2%	10.3%	9.5%	4.9%
Dow Jones Global ex-U.S.	3.3	0.7	-13.0	-0.6	-1.6	-0.3
10-year Treasury Note (Yield Only)	1.8	NA	1.9	1.7	3.4	5.0
Gold (per ounce)	-1.0	15.5	2.9	-4.2	-3.6	7.2
Bloomberg Commodity Index	1.7	2.3	-20.8	-14.8	-14.0	-7.4
DJ Equity All REIT Total Return Index	0.2	6.0	7.2	9.1	11.4	7.2

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 DO ECONOMISTS THINK?** As they've traveled across the country, U.S. Presidential candidates have made a variety of economic proposals and promises. *National Public Radio's Planet Money* asked 22 economists from across the political spectrum for their two cents on the matter. Survey participants were given three options: good, debatable, or bad. Here are their opinions:<sup>6</sup>

1. End the "carried interest" tax break, which benefits hedge fund managers and private equity executives.
  - Good: 20
  - Debatable: 2
  - Bad: 0
2. Lower the corporate tax rate to 25 percent.
  - Good: 10
  - Debatable: 10
  - Bad: 2
3. Create a "National Infrastructure Bank" seeded with public money to help finance infrastructure projects.
  - Good: 10
  - Debatable: 8
  - Bad: 4
4. Make tuition free at public colleges and universities.
  - Good: 1
  - Debatable: 1
  - Bad: 20
5. Make tuition free at community colleges for students who contribute earnings from working 10 hours a week.
  - Good: 5
  - Debatable: 9
  - Bad: 8
6. Impose a "spectator tax." Stock trades will be taxed at 0.5 percent and bonds at 0.1 percent.
  - Good: 4
  - Debatable: 6
  - Bad: 12
7. Raise the federal minimum wage to \$15 an hour.
  - Good: 2
  - Debatable: 4
  - Bad: 16

8. Remove single taxpayers who earn less than \$25,000, and married taxpayers (and those filing jointly) who earn less than \$50,000 – approximately over 50 percent – from the tax rolls.
  - Good: 2
  - Debatable: 9
  - Bad: 11
  
9. Everyone pays the same 10 percent tax rate. It retains some version of the earned income tax credit and deductions for lower-income families.
  - Good: 1
  - Debatable: 0
  - Bad: 21
  
10. Expel immigrants who are in the United States illegally.
  - Good: 0
  - Debatable: 0
  - Bad: 22

We'll find out what the American people think later this year!

### **Weekly Focus – Think About It**

“And along the way I discovered that a lot of great originals in history were procrastinators. Take Leonardo da Vinci. He toiled on and off for 16 years on the Mona Lisa. He felt like a failure. He wrote as much in his journal. But some of the diversions he took in optics transformed the way that he modeled light and made him into a much better painter.”

--Adam Grant, *Organizational psychologist*<sup>7</sup>

Best regards,

***Jim***

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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 Dow Jones Industrial Average is a price-weighted index of 30 actively traded blue-chip stocks.

\* The NASDAQ Composite Index is an unmanaged, market-weighted index of all over-the-counter common stocks traded on the National Association of Securities Dealers Automated Quotation System.

\*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.

\* Consult your financial professional before making any investment decision.

\* You cannot invest directly in an index.

\* Past performance does not guarantee future results. Due to ongoing market volatility, current performance may be more or less than the results shown in this white paper.

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\* Compliance Number: CRN201804-201536

Sources:

<sup>1</sup> [https://www.washingtonpost.com/opinions/chinas-deeply-flawed-ascent/2016/01/20/94bdf1ae-bed5-11e5-83d4-42e3bceea902\\_story.html](https://www.washingtonpost.com/opinions/chinas-deeply-flawed-ascent/2016/01/20/94bdf1ae-bed5-11e5-83d4-42e3bceea902_story.html)

<sup>2</sup> <http://www.dw.com/en/china-growth-meets-government-target/a-19190171>

<sup>3</sup> [https://www.conference-board.org/retrievefile.cfm?filename=FAQ-for-China-GDP-vs4\\_10nov15.pdf&type=subsite](https://www.conference-board.org/retrievefile.cfm?filename=FAQ-for-China-GDP-vs4_10nov15.pdf&type=subsite)

<sup>4</sup> <https://www.conference-board.org/data/globaloutlook/>

<sup>5</sup> <http://www.economist.com/news/china/21689628-chinas-obsession-gdp-targets-threatens-its-economy-grossly-deceptive-plans> (or go to [https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/04-18-16\\_TheEconomist-Grossly Deceptive Plans-Footer\\_5.pdf](https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/04-18-16_TheEconomist-Grossly+Deceptive+Plans-Footer_5.pdf))

<sup>6</sup> <http://www.npr.org/sections/money/2016/02/26/468298576/economists-on-candidates-proposals-mostly-bad> (Numbers correspond to the dots in right-hand boxes)

<sup>7</sup>

[https://www.ted.com/talks/adam\\_grant\\_the\\_surprising\\_habits\\_of\\_original\\_thinkers/transcript?language=en](https://www.ted.com/talks/adam_grant_the_surprising_habits_of_original_thinkers/transcript?language=en)