

## Weekly Market Commentary January 25, 2016

### The Markets

Investors breathed a sigh of relief last week when U.S. stock markets recovered from a tumble toward bear market territory with the grace of a Cirque du Soleil performer. Many stock markets around the world finished the week with gains, although national indices in Europe and the United States fared better, generally, than those in Asia.<sup>1</sup>

*BloombergBusiness* reported global stocks experienced their biggest gains in more than three years, while safe haven markets, including Treasuries, retreated. Stocks moved higher on speculation the European Central Bank (ECB) will expand stimulus measures, the U.S. Federal Reserve may revise its rate hike intentions, and Japan and Asia also may take steps to support their markets. According to the *Financial Times*:<sup>2,3</sup>

“Sentiment turned in part because of dovish comments on Thursday from Mario Draghi, president of the European Central Bank, which many in the market viewed as signaling that further stimulus measures could be unveiled in March... The slide in U.S. equity markets and strengthening of the U.S. dollar have rapidly unraveled investor expectations that the Fed will be able to lift rates four times this year, as the central bank seeks to normalize policy. Instead, traders put the odds on just one rate rise this year.”

A late-week rally in oil prices also helped push stock markets higher. The *Financial Times* reported crude oil hit a 12-year low midweek and then bounced more than 18 percent.<sup>3</sup> While improving oil prices proved heartening to investors, *Barron's* pointed out prices have dropped because supply expanded ahead of demand. With growth in China slowing, it may take some time for supply and demand to balance.<sup>4</sup>

Data as of 1/22/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.4%	-6.7%	-7.6%	6.2%	8.1%	4.2%
Dow Jones Global ex-U.S.	0.3	-9.0	-15.4	-4.1	-3.1	-0.7
10-year Treasury Note (Yield Only)	2.1	NA	1.9	1.8	3.4	4.4
Gold (per ounce)	0.2	3.2	-15.4	-13.4	-4.0	7.1
Bloomberg Commodity Index	2.4	-4.2	-25.9	-19.1	-14.1	-7.8
DJ Equity All REIT Total Return Index	1.3	-4.4	-9.1	7.4	10.4	6.4

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.

**IT'S COLLEGE TIME! WHAT WILL THE MONEY IN A 529 COLLEGE SAVINGS PLAN COVER?** If you have a child or grandchild who will be heading to college soon, and you have set up and contributed to a 529 College Savings Plan, it's almost time to tap into those funds.

The reason many people start tucking money aside in college savings plans when their children are young is any earnings grow tax-deferred in 529 plan accounts, and are federally tax-free (and often state tax-free) when withdrawn, as long as they're used for qualified education expenses for a designated beneficiary. Qualified expenses include tuition, fees, books, and room and board.<sup>5</sup>

Recently, Congress passed legislation that made computers, Internet access, printers, scanners, education-related software (no games), and other peripheral equipment qualified expenses. Computers were qualified expenses previously, as long as the college required computers for attendance. Now, they qualify even if the school does not require them.<sup>6</sup>

According to *Kiplinger's*, 529 plan savings can be used for room and board even if the account beneficiary lives off campus, as long as he or she is attending college at least half-time. While you don't have to document expenses for 529 plan administrators, it's a good idea to keep a record of all education-related expenses.<sup>6</sup>

529 plans are a smart way to save and invest for college. Contributions may be state tax-free, and there is no limit to the amount you can contribute annually, according to *SavingforCollege.com*, but there are tax-related nuances to understand. During 2015, a parent or grandparent could contribute up to \$14,000 per child or grandchild and qualify for annual gift tax exclusion (\$28,000 if a spouse contributes, too.) If you prefer, you can make a lump-sum contribution of up to \$70,000 per beneficiary, and spread it over five years for gift tax purposes.<sup>7, 8</sup>

To learn more about this college savings plan for your children or grandchildren, contact your financial professional.

## **Weekly Focus – Think About It**

“Common sense is not so common.”

--Voltaire, *French writer, historian, and philosopher*<sup>9</sup>

Best regards,

***Jim***

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*Our Wealth Management users can login under the “Client Center” tab.*

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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**\* These views are those of PEAK, and not the presenting Representative or the Representative's Broker/Dealer, and should not be construed as investment advice.**

- \* 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: CRN201801-199296

Sources:

- <sup>1</sup> [http://www.barrons.com/mdc/public/page/9\\_3063-economicCalendar.html](http://www.barrons.com/mdc/public/page/9_3063-economicCalendar.html) (Click on U.S. & Intl Recaps, "What goes down must go up (eventually)", then scroll down to the Global Stock Market Recap chart) (or go to [https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/01-25-16\\_Barrons-Global\\_Stock\\_Market\\_Recap-Footer\\_1.pdf](https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/01-25-16_Barrons-Global_Stock_Market_Recap-Footer_1.pdf))
- <sup>2</sup> <http://www.bloomberg.com/news/articles/2016-01-21/asian-futures-point-to-rebound-amid-oil-jump-stimulus-prospects?cmpid=yahoo.hosted>
- <sup>3</sup> <http://www.ft.com/intl/cms/s/0/0432fba6-c15b-11e5-846f-79b0e3d20eaf.html#axzz3y7eQQDxw> (Click on the Markets tab, select Equities, then click on “Oil rally drives strong rebound in US stocks”) (or go to [https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/01-25-16\\_FinancialTimes\\_Oil\\_Rally\\_Drives\\_Strong\\_Rebound\\_in\\_US\\_Stocks-Footer\\_3.pdf](https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/01-25-16_FinancialTimes_Oil_Rally_Drives_Strong_Rebound_in_US_Stocks-Footer_3.pdf))
- <sup>4</sup> [http://www.barrons.com/articles/election-year-politics-roil-markets-1453527210?mod=BOL\\_hp\\_we\\_columns](http://www.barrons.com/articles/election-year-politics-roil-markets-1453527210?mod=BOL_hp_we_columns) (or go to [https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/01-25-16\\_Barrons-Election-Year\\_Politics\\_Roil\\_Markets-Footer\\_4.pdf](https://s3-us-west-2.amazonaws.com/peakcontent/+Peak+Commentary/01-25-16_Barrons-Election-Year_Politics_Roil_Markets-Footer_4.pdf))
- <sup>5</sup> <https://www.irs.gov/uac/529-Plans:-Questions-and-Answers>
- <sup>6</sup> <http://www.kiplinger.com/article/college/T054-C001-S003-tax-free-spending-529-college-savings-plan.html>
- <sup>7</sup> <http://www.savingforcollege.com/articles/how-much-can-you-contribute-to-a-529-plan-in-2015-874>
- <sup>8</sup> [http://www.savingforcollege.com/intro\\_to\\_529s/are-there-gift-and-estate-tax-benefits-for-529-plans.php](http://www.savingforcollege.com/intro_to_529s/are-there-gift-and-estate-tax-benefits-for-529-plans.php)
- <sup>9</sup> <http://www.brainyquote.com/quotes/quotes/v/voltaire106180.html#7eFrz1kKI4aURCP4.99>

