Weekly Market Commentary
March 21, 2016

The Markets

There is ongoing debate about whether markets behave in rational ways.

The efficient market hypothesis suggests it's impossible to outperform the stock market because current share prices reflect all relevant information. In other words, stocks should *always* trade at fair value and it should be impossible to invest in a stock that is overpriced or underpriced.

The Economist reported there are two issues efficient market theorists have trouble explaining. The first is market bubbles, "where entire markets get out of whack with traditional valuation measures and then collapse." The other is pricing anomalies. For instance, value stocks are inexpensive relative to their asset values and tend to outperform over the long term. In a perfect market, pricing anomalies shouldn't occur.

During the past few weeks, U.S. stock markets have recovered from losses suffered earlier in the year and moved into positive territory for 2016. The shift into positive territory has some suggesting markets may not be correctly priced, but there is disagreement about whether it currently is overvalued or undervalued.

According to *Barron's*, the recent strong performance of U.S. stock markets hasn't been inspired by sound decisions and rational economic behavior. "The market's valuation, at 17 times consensus analyst earnings-per-share estimates for 2016, looks stretched again, given that easy monetary policy and rising oil prices – not earnings growth – are responsible."

Wharton Professor of Finance Jeremy Siegel disagreed. "On an absolute basis [the stock market is] slightly more highly valued than average but relative to interest rates, which are extremely low, it is actually undervalued in my opinion."

Investors who believe markets perform well most of the time, but not all of the time, may want to take opportunities like these to look for companies whose shares may be mispriced, as well.

Data as of 3/18/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.4%	0.3%	-2.4%	9.7%	9.9%	4.6%
Dow Jones Global ex-U.S.	1.6	-1.0	-11.0	-1.6	-0.9	-0.3
10-year Treasury Note (Yield Only)	1.9	NA	2.0	2.0	3.3	4.7
Gold (per ounce)	-1.0	17.9	9.1	-7.9	-2.5	8.5
Bloomberg Commodity Index	1.0	2.8	-17.8	-16.3	-13.3	-6.6
DJ Equity All REIT Total Return Index	2.2	4.0	2.4	9.8	11.8	6.3

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.

HERE'S A MILESTONE YOU DON'T REACH UNTIL YOUR SEVENTIES. The major milestones of older Americans are not attended with the same sense of wonder that accompanies the major milestones of younger Americans. Sure, registering for Social Security benefits and signing up for Medicare are rites of passage, but they don't hold a candle to earning your driver's license, receiving your first kiss, winning your first promotion, or dancing at your wedding.

If you have retirement accounts when you become a septuagenarian, then you'll encounter a milestone the Internal Revenue Service (IRS) strongly encourages you to remember. Beginning April 1 of the year following the year in which you reach age 70½, you must begin taking required minimum distributions (RMDs) from most of your retirement accounts. *Forbes* offered this list:

- Traditional IRAs
- Rollover IRAs
- Inherited IRAs
- SEP IRAs
- SIMPLE IRAs
- 401(k), 403(b), and 457(b) plan accounts
- Keogh plans

There currently are no RMDs for Roth IRAs, unless the accounts were inherited.

If you have more than one qualifying retirement account, then a separate RMD must be calculated for each account. If you want to withdraw a portion of each account, you can, but it may prove simpler to take the entire amount due from a single account. Once you start, you must take RMDs by December 31 every year. If you don't, you'll owe some hefty penalty taxes.

The IRS offers some instructions for calculating the RMD due. "The required minimum distribution for any year is the account balance as of the end of the immediately preceding calendar year divided by a distribution period from the IRS' "Uniform Lifetime Table." A separate table is used if the sole beneficiary is the owner's spouse who is ten or more years younger than the owner."

If you would prefer to have some help figuring out the correct amount when RMDs are due, contact your financial professional.

Weekly Focus – Think About It

"It wasn't by accident that the Gettysburg address was so short. The laws of prose writing are as immutable as those of flight, of mathematics, of physics."

--*Ernest Hemingway, American writer*

Best regards,

Scott Lebin

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.
* To unsubscribe, please reply to this e-mail with **"Unsubscribe"** in the subject line or write us at **20 South Second Street, Geneva, IL 60134**.

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