

GDP (lagging indicator)



Q1, 2016 (Third Estimate)

Expands by a rate of 1.1%

EXISTING HOME SALES



Thru May 2016

Increased 1.8% due to rise in demand.

UNEMPLOYMENT RATE



Thru May 2016

Declined to 4.7% (seasonally adjusted).

CONSUMER PRICE INDEX



May 2016

Increased 0.2% (seasonally adjusted).



In This Issue

Economic News

Dish on the DOL

Economic News

The 2nd quarter was anything but dull for the US and Global stock markets. While the US markets began the quarter in fairly quiet fashion, the end of the quarter finished with an uptick in volatility. Even with a spike in volatility, the US indices still managed to finish the quarter higher overall, with the S&P 500 ending up by 2.46%, the NASDAQ ending down -0.23%, and the RUSSELL 2000 (US Small Cap Stocks) ending higher by 3.79%.

The UK's referendum vote to withdraw from the European Union, otherwise known as "Brexit", caused the quarter to end in a volatile fashion. As a result of the vote, US and global markets were sent into a multi-day tailspin as investors tried to understand the magnitude of the vote for both the UK and global economies. The S&P 500 experienced a two day sell-off of 5.3%, while other global indices fell even further. Investors rushed toward the safe haven of treasuries, causing bond prices to rise and yields to fall to record levels. The benchmark 10-Year note traded down to a yield as low as 1.385% after starting the quarter at 1.76%. Although it appeared the quarter would end in a panic, the market staged an impressive rebound, with the S&P 500 bouncing higher on the last three trading days of the quarter.

In addition to anxieties about Brexit, the market has also continued to be impacted by the overall health of the economy, both domestically and globally, and how the Federal Reserve may handle decisions regarding monetary policy and any further rate increases.

(continued)

This table highlights the average annual returns for various indices:

Index	2nd Qtr	1 Year	5 Year	10 Year
Barclays U.S. Aggregate Index	2.21%	6.00%	3.76%	5.13%
MSCI AC World Ex US Net Total Return	-0.64%	-10.24%	0.10%	1.87%
Russell 2000 Total Return	3.79%	-6.73%	8.35%	6.20%
S&P 500 Composite Total Return	2.46%	3.99%	12.10%	7.24%

“Investing is the intersection of economics and psychology.”

Seth Klarman

According to the Bureau of Economic Analysis, the third estimate of the first quarter 2016 gross domestic product grew at an annualized rate of 1.1%, compared to the second estimate, which had the annual rate of growth at 0.8%. It remains to be seen how the Fed may handle future rate increases with weaker than expected GDP and continued concerns relating to the Brexit vote.

Dish on the DOL

In April 2016, the Department of Labor (“DOL”) released the final version of its fiduciary rule, a culmination of efforts to replace the existing five-part “investment advice for a fee” fiduciary test that has been in place since 1975. The DOL proposed replacing this test back in 2010, and the April 2016 regulation is the product of numerous iterations and modifications. The final rule expands the definition of “advice” and consequently increases the number of financial advisors who must adhere to a fiduciary standard, requiring advisors to act in the “best interest” of the client. The general effective date for the fiduciary rule is April 10, 2017.

Under prior regulation, brokers deemed to be providing education-based services to clients were not considered to be providing “advice” and therefore were not subject to the fiduciary standard; instead, those brokers were subject to a “suitability” standard. Under a suitability standard, brokers were required to offer “suitable” products, but there was no requirement to offer the “best” product for the client. Beginning April 10, 2017, financial advisors providing services to retirement plans will face a new standard, as all advisors who make recommendations or give advice on 401(k) plans or IRAs must act as fiduciaries. Additionally, recommendations regarding a rollover or distribution from IRAs or a 401(k) plan are captured under the updated definition of “advice.”

There are exemptions in the new rule, as well as areas of practice that are not affected by the upcoming changes. As April 2017 draws near, changes to the financial services industry and the retirement plan landscape, draw near as well.

The Barclays US Aggregate Bond Index is a market capitalization-weighted index of investment-grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of at least one year. The MSCI All Country World Exclude US Net Total Return is a commonly used measure of common stock total return performance of 22 of 23 Developed Markets countries excluding the US. The Russell 2000 Total Return Index is a commonly used measure of small capitalization stocks, The S&P 500 Total Return is a commonly used measure of common stock performance of 500 leading companies in leading industries of the U.S. economy. All referenced indices are unmanaged and not available for direct investment. Past performance is not a guarantee of future results. The information and opinions expressed herein are for general and educational purposes only. Nothing contained in this newsletter is intended to constitute legal, tax, accounting, securities, or investment advice, nor an opinion regarding the appropriateness of any investment, nor a solicitation of any type. Information obtained from third party sources are believed to be reliable but not guaranteed. M Holdings Securities, Inc. makes no representation regarding the accuracy or completeness of information provided herein. All opinions and views constitute our judgments as of the date of writing and are subject to change at any time without notice. 1168-2016

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