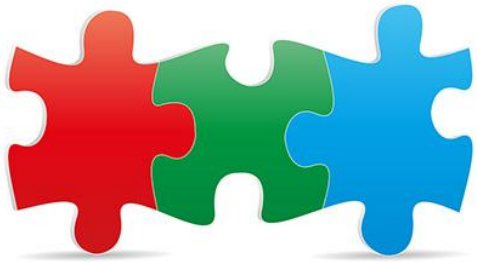

The Parks Wealth Report for the Week of June 22nd, 2015

On a Personal Note from Maria Delzotto…

Have any of you planned a family reunion? Back in March, I took on the arduous task of organizing one with my extended family for this summer. I reached out to my mother's cousin's daughter (did you follow that?) to propose the idea and ask for her help to coordinate with "her side of the family". Having three siblings and four first-cousins, all with grown children, along with "the other side of the family" of about 12 additional second cousins, mostly with all grown children, this is a monumental task that includes over 75 people, including boyfriends, girlfriends and significant others. We decided to have our event on Long Island to accommodate our elderly and only living aunt and uncle and where we all grew up.

I knew from the beginning that it would be impossible to find a date that we would all be available, but we would choose one so that the large majority could attend. As I write this in mid-June, we still haven't agreed on a date, or a location. At this point, we may need to send out a 'Save the date' notice for a Christmas holiday party. It has become a comedy trying to plan this event. I can't begin to count the number of text messages, emails and phone calls back and forth between cousins. I am beginning to think that all these planning conversations will serve as our 2015 reunion and our way of staying in touch with each other!

Hopefully, by the next time you read my notes later in the summer, I will be able to report that the celebration took place and it was a huge success. **Wish me luck!**

Warm Regards,

Maria

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The Markets

You're probably familiar with the seven-year itch. Not the movie with Marilyn Monroe, but the concept that relationships can lose their luster after seven years.

That may be what happened last week in China. Investors got itchy and the Chinese stock market suffered its worst week since 2008. The Shanghai Composite lost more than 13 percent during the week, and the Shenzhen Composite was down 12.7 percent, according to MarketWatch. The previous Friday, the Shenzhen had closed at a record high.

Prior to last week's correction, China's stock markets had been VERY popular. So popular, Chinese firms were seeking to delist from American stock exchanges and relist their shares on Chinese exchanges, reported The Economist. Plus, the Chinese government rolled out the red carpet (and waived profitability requirements) for new firms seeking to list on local stock exchanges.

In their enthusiasm to participate in rising markets, some Chinese companies are reinventing themselves on paper. The Economist wrote:

"But the wider trend is clear. At least 80 listed Chinese firms changed names in the first five months of this year. A hotel group rebranded itself as a high-speed rail company, a fireworks maker as a peer-to-peer lender, and a ceramics specialist as a clean-energy group. Their reinventions as high-tech companies appear to have less to do with the gradual rebalancing of China's economy than with the mania sweeping its stock market. The Shenzhen Composite Index, which is full of tech companies, has nearly tripled over the past year."

June has been a tough month for China. Earlier in the month, MSCI decided not to add China's A-shares, which are denominated in China's renminbi, to its emerging markets index because of issues related to Chinese markets' accessibility.

Greece hasn't been faring all that well either. The European Central Bank extended an emergency $2 billion loan to the Greek government. The Greek people, anticipating Greece may not reach an agreement with its creditors, which could trigger default and an exit from the Euro, withdrew more than $1 billion from the country's banking system in one day.

Data as of 6/19/15	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.8%	2.5%	7.7%	15.8%	13.6%	5.7%
Dow Jones Global ex-U.S.	-0.4	5.0	-5.3	8.4	4.5	3.3
10-year Treasury Note (Yield Only)	2.3	NA	2.6	1.6	3.2	4.1
Gold (per ounce)	1.7	0.4	-6.9	-9.5	-0.8	11.1
Bloomberg Commodity Index	-0.7	-4.3	-26.7	-8.8	-4.9	-4.7
DJ Equity All REIT Total Return Index	1.7	-1.8	8.7	11.2	13.1	7.4

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.

IP! IP! OORAY! Greg Ip, Chief Economics Commentator at The Wall Street Journal, was blogging about business cycles. He wrote, "After a perplexing start to the year, the economy is starting to make sense...[Recently released data] has begun to help solve three puzzles that have hung over the U.S. and global economies in the last year." The three puzzles were:

1. There was no surge in consumer spending in the United States. Despite a mammoth drop in oil prices, retail sales were weak and contributed relatively little to first-quarter growth. However, May retail sales numbers were strong and numbers for March and April were revised upward. So, consumers appear to be spending. (The final revision to gross domestic product (GDP), which was released in late May, showed GDP grew by 0.2 percent during first quarter.)
2. When workers are in short supply, wages should rise - but they haven't. Unemployment is at about 5.5 percent. Employers have jobs open and are seeking qualified applicants. Yet, hourly earnings had barely improved at all. The Bureau of Labor Statistics' Employment Cost Index showed private workers' compensation grew 2.8 percent for the 12-month period ending March 31, 2015. That was a big improvement over the previous year's growth. Government workers realized a 2.1 percent increase for the same time period, which was a modest improvement over the previous year.
3. The bond market hadn't priced in a rate increase. Federal Reserve guidance has been pretty clear. When employment and inflation numbers align, the Fed will begin to tighten monetary conditions by raising the Fed funds rate. Regardless, bond market rates hadn't moved higher - until recently. Yields on 10-year Treasuries rose from 1.87 percent in early April to about 2.4 percent by mid-June.

Ip summarized, "...in many ways, the world is behaving as it should. If so, then the next stage is for stock and bond investors to finally realize the era of zero rates is coming to an end and re-price accordingly. Do not expect that to be a smooth process... That the world is behaving normally, however, is not the same as saying it's back to normal."

Weekly Focus - Think About It

"Change is the law of life. And those who look only to the past or present are certain to miss the future.

--John F. Kennedy, 35th President of the United States

Best Regards,

James T. Parks, CFP®, AEP, AIF
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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 index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.

* The DJ Global ex US is an unmanaged group of non-U.S. securities designed to reflect the performance of the global equity securities that have readily available prices.

* 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 London afternoon gold price fix as reported by the London Bullion Market Association.

* The DJ 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 TR 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.

*The economic forecasts set forth in the presentation 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.

* Government bonds and Treasury Bills are guaranteed by the U.S. government as to the timely payment of principal and interest and, if held to maturity, offer a fixed rate of return and fixed principal value. However, the value of fund shares is not guaranteed and will fluctuate.

*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.

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