The Parks Wealth Report for the Week of February 1st, 2016

On a Personal Note from Maria Delzotto…

One recent stormy night, my husband and I were sitting in our cozy family room talking with one of our sons who was still home from college on his winter break. The wind was howling and it was raining very hard outside as my son and I were cuddling up together under a blanket (I have to get as many cuddles as I can before he leaves to go back to school!) All of a sudden, we heard an eerie noise from outside. It was loud but muffled and then we felt a huge thud. I flew off the couch! We all looked at each other in shock, as my other two sons came running from other parts of the house. We couldn't see much through the windows because it was dark and pouring outside, so we all quickly threw coats and shoes on to investigate outside.

A tremendous dead oak tree from our neighbor's property uprooted and crashed into the small deck right outside the room we were in, only several feet away from the couches we were sitting on! As it fell, it pulled down another smaller tree with it, ripped the high wall railing off the deck and badly damaged the whole deck. God was certainly looking out for us, and I thank Him every day for keeping us safe. I share this story to remind all homeowners that it's so important to periodically inspect the trees on their property, keep them properly trimmed and remove those that are dead. It's better to be safe than sorry.

Warm Regards,

Maria Delzotto
Business Operations Administrator
maria@parkswm.com

The Markets

How low can you go?

The Bank of Japan (BOJ) dove into the negative interest rate rabbit hole last week when it dropped its benchmark interest rate to minus 0.1 percent. If you've been following Japan's story, then you know the country has been struggling with deflation for almost two decades.

The BOJ's goal is to push inflation up to 2 percent. *MarketWatch* explained the idea behind negative interest rates:

"Central banks use their deposit to influence how banks handle their reserves. In the case of negative rates, central banks want to dissuade lenders from parking cash with them. The hope is that they will use that money to lend to individuals and businesses which, in turn, will spend the money and boost the economy and contribute to inflation."

If the idea of negative interest rates sounds familiar, it's probably because Europe has been delving into negative interest rate territory for a while. Several European central banks have adopted negative interest rate strategies, and about one-third of the bonds issued by governments in the eurozone offered negative yields at the end of 2015. It's an unusual state of affairs - offering investors bonds that pay less than nothing. If investors hold to maturity, they get back less than their investment amount.

While negative rates may not be pleasing to bond buyers, U.S. stock markets were thrilled by the BOJ's surprise rate cut. Major indices rose by about 2 percent on Friday.

Market performance was also boosted by a bad-news-is-good-news interpretation of weak fourth quarter U.S. gross domestic product (GDP) growth estimates. According to *Reuters*, slower growth in the U.S. economy raised investors' hopes the Federal Reserve would hold back on future rate hikes.

Data as of 1/29/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	1.8%	-5.1%	-4.0%	8.8%	8.6%	4.2%
Dow Jones Global ex-U.S.	2.2	-7.0	-13.6	-3.8	-2.6	-0.7
10-year Treasury Note (Yield Only)	1.9	NA	1.8	2.0	3.4	4.5
Gold (per ounce)	1.4	4.7	-12.4	-12.6	-3.5	7.0
Bloomberg Commodity Index	2.6	-1.7	-21.8	-18.2	-14.0	-7.8
DJ Equity All REIT Total Return Index	1.1	-3.4	-8.2	7.5	10.1	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.

DOES THE STOCK MARKET OVERREACT? Some experts say it does. In 1985, Werner DeBondt, currently a professor of finance at DePaul University, and Richard Thaler, currently a professor of behavioral science and economics at the University of Chicago, published an article titled, *Does The Stock Market Overreact?*

The professors were among the first economists to study behavioral finance, which explores the ways in which psychology explains investors' behavior. Classic economic theory assumes all people make rational decisions all the time and always act in ways that optimize their benefits. Behavioral finance recognizes people don't always act in rational ways, and it tries to explain how irrational behavior affects markets.

DeBondt and Thaler's research, which has been explored and disputed over the years, supported the idea that markets tend to overreact to "unexpected and dramatic news and events." The pair found people tend to give too much weight to new information. As a result, stock markets often are buffeted by bouts of optimism and bouts of pessimism, which push stock prices higher or lower than they deserve to be.

In a recent memo, Oaktree Capital's Howard Marks reiterated his long-held opinion, "...In order to be successful, an investor has to understand not just finance, accounting, and economics, but also psychology." He makes a good point.

When markets become volatile, it's a good idea to remember the words of Benjamin Graham, author of *The Intelligent Investor*, who wrote, "By developing your discipline and courage, you can refuse to let other people's mood swings govern your financial destiny. In the end, how your investments behave is much less important than how you behave."

Weekly Focus - Think About It

"Keep your eyes on the stars, and your feet on the ground."

--Theodore Roosevelt, 26th President of the United States

Save the Date - Breakfast with Jim, Jonathon, and Ania

Our next breakfast will take place on February 12th, 2016. Please look out for an email invitation in the next couple of days.

Best Regards,

James T. Parks, CFP®, AEP, AIF
President and Wealth Advisor

www.parkswm.com | Map | Jim@Parkswm.com Like us on Facebook | |

PARKS WEALTH MANAGEMENT

Ph 201-689-2020
800-455-9940
Fax 201-689-6850

216 East Ridgewood Ave. 2nd Floor
Ridgewood, NJ 07450

Click here to preview our Wealth Management Solution

Our mission is to illustrate what can be done today to pursue your financial dreams of tomorrow by designing strategies that seek growth and preservation of wealth.

*US treasuries may be considered "safe haven" investments but do carry some degree of risk including interest rate, credit and market risk.
* Please keep in mind, prior to investing in a 529 Plan investors should consider whether the investor's or designated beneficiary's home state offers any state tax or other benefits that are only available for investments in such state's qualified tuition program. Non-qualified withdrawals may result in federal income tax and a 10% federal tax penalty on earnings.

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.

*James T. Parks, CFP®, AEP®, AIF®is a FIVE STAR PROFESSIONAL WEALTH MANAGER. Award based on 10 objective criteria associated with providing quality services to clients, such as credentials, experience, and assets under management among other factors. Wealth managers do not pay a fee to be considered or placed on the final list of 2014 Five Star Wealth Managers.

Securities offered through LPL Financial. Member FINRA/SIPC.

* 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 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, andredemption features.

This information is not intended to be a substitute for specific individualized tax advice. We suggest that you discuss your specific tax issues with a qualified tax advisor.

* This newsletter was prepared by Peak Advisor Alliance. Peak Advisor Alliance is not affiliated with LPL Financial.