

ONE LAST HURRAH

Our current equity exposure remains in a neutral position. After Europe's internal squabbles potentially leading to an external financial crisis with ripples felt throughout the global banking system – we saw our treasury bonds (TLT) rise substantially and offer a temporary safe place during extreme volatility. Based on the quick rise, we sold the TLT on Monday afternoon in anticipation of temporarily rising rates. We see plenty of opportunity to find additional entry points, not only in long-dated treasuries but also other indexes that represent our strategic trading portion of the portfolio.

We continued to optimize our portfolios by locating available money market accounts that have recently started paying substantially higher interest than what is received in either the insured cash account (ICA) or the deposit cash account (DCA), which is where “sweep” cash was held in most portfolios. While options and share classes are limited by whether the account is an IRA or not, good choices existed for both. To take advantage of these higher rates, we made changes to the “sweep” account option, which you should see in your June statements. While interest rates change weekly, here is what the money markets are currently paying:

| | | <i>(new sweep)</i> | | <i>(former sweep)</i> |
|---------------------------------------|---------------|--------------------|------------|-----------------------|
| | | Current | | Current |
| <u>For IRAs</u> | | Yield | vs. | DCA Yield |
| Available Fund Name | Ticker | | | |
| JPM U.S. Government - Investor Shares | JGMXX | 1.31% | | 0.15% |

| | | <i>(new sweep)</i> | | <i>(former sweep)</i> |
|--|---------------|--------------------|------------|-----------------------|
| | | Current | | Current |
| <u>For Non-Qualified Accounts</u> | | Yield | vs. | ICA Yield |
| Available Fund Name | Ticker | | | |
| JPM U.S. Government - Investor Shares | SJGXX | 0.76% | | 0.10% |

As equity markets push back into a strongly overbought position, the probabilities increase for a short-term pullback as a result of growing uncertainties. In what we predicted would be a temporary vanishing act, the concerns over tariffs and severely spiking interest rates in Europe and Latin America have all but disappeared as front page, headline global risk. Interest rates in Italy, Spain, Portugal, and Greece all backed off from their meteoric rise, offering a chance for unwary investors to pile back in along with the more likely backdrop of behind-the-scenes purchases from the European Central Bank. Unfortunately, Brazilian interest rates have risen an eye-popping 229 basis points in just one month's time! Their current rate on their 10-year bond now stands at a whopping 12.29% (our 10-year treasury stands at 2.97%), which places them in the “beyond junk bond” status and potentially puts their entire economy/government/financial system perilously close to implosion. A decision will have to be made whether to do a monetary intervention (not unlike in Argentina) or to finally acknowledge the risk at hand, which would create further deterioration. All of this focus on interest rates often pushes the financial media into a frenzy of rhetoric about how poorly positioned bonds are. Unfortunately, we live in a global world that operated, depended on, and eventually became addicted to artificially low interest to keep stock markets aloft. Without even a partially functioning debt market, it will be a near impossibility for stock markets to hurtle forward like they did in the previous year.

Last week, the most encouraging data point in the Jobs Report was a 0.3% increase in wages in May following April's disappointing gain of just 0.1%. An interesting correlation is occurring in the American consumer space. As we've noted before, retail earnings have been tremendously erratic and many are surprised to find out that Wal-Mart's stock is down 13% year-to-date but the nearly bankrupt Macy's is up 61%, although they are still down 33% for three years. Incomes are trending higher, but May's Personal Spending report showed that consumer spending substantially outperformed incomes! The only way such a trend can continue is if consumers start tapping credit sources (i.e., credit cards, home equity loans and cash-out refinancing loans) or they spend down their savings, which is exactly what we noted in this report – a drop in the savings rate from 3.3% in February all the way down to 2.8% in May! Often, a strong correlation will be reflected in rising retail sales. The question remains... If higher wages don't materialize, will there will be an expiration date on spending as consumers slow down on credit and spending more than they make?

Many well-informed economists called the interest rate spikes throughout the world a much needed "normalization." When global markets – both stocks and bonds – have been living in la-la-land for literally a decade, normalization comes with the risk of a catastrophic economic readjustment. What takes many investors by surprise is the abject complacency of stock market investors. Real-time indicators of alarm are removed from sight and high frequency trading computers look to push markets back to their highs, while other investors are told to "hang in there." We take your trust in our ability to ascertain risk, move out of the way of potential train wrecks, and seek reasonable, rational and risk-adjusted returns very seriously. Today's market is eons different than last year's where risk was totally ignored. This is the time when higher levels of vigilance will be more important than ever before.

As always, we will continue posting articles that we believe to be of great informational value on our website, under the "Great Articles" tab, which is linked here:

http://summitplan.com/cgi-bin/html0s.cgi/great_articles.html.

Additionally, the "Summit Planning Financial Hour" will be live this week on Radio 570-WSYR at 10AM on Saturday. Don't forget to tune in for a recap of the week's events. If you cannot tune in, check out our radio show archive on our website at http://summitplan.com/cgi-bin/html0s.cgi/radio_shows.html.

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 4. All performance referenced is historical and is no guarantee of future results. Index performance is not indicative of the performance of any investment.
 5. Investors FastTrack is the source for all quoted performance data.

6. The fast price swings in commodities and currencies will result in significant volatility in an investor's holdings. Commodities include increased risks, such as political, economic, and currency instability, and may not be suitable for all investors.
7. Because of their narrow focus, sector investing will be subject to greater volatility than investing more broadly across many sectors and companies.
8. 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.
9. Bonds are subject to market and interest rate risk if sold prior to maturity. Bond values will decline as interest rates rise and bonds are subject to availability and change in price.
10. International investing involves special risks such as currency fluctuation and political instability and may not be suitable for all investors. These risks are often heightened for investments in emerging markets.
11. The Dow Jones Industrial Average is comprised of 30 stocks that are major factors in their industries and widely held by individuals and institutional investors.
12. The Standard & Poor's 500 Index is a capitalization weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
13. The NASDAQ Composite Index measures all NASDAQ domestic and non-U.S. based common stocks listed on The NASDAQ Stock Market. The market value, the last sale price multiplied by total shares outstanding, is calculated throughout the trading day, and is related to the total value of the Index.
14. The Russell 2000 Index is an unmanaged index generally representative of the 2,000 smallest companies in the Russell 3000 index, which represents approximately 10% of the total market capitalization of the Russell 3000 Index.
15. CBOE Volatility Index is a measure of the implied volatility of S&P 500 index options, calculated and published by the Chicago Board Options Exchange (CBOE).
16. All indices are unmanaged and cannot be invested in directly.