Market Commentary
October 19, 2015

Dear Investors:

How quickly emotions have changed since August. Worry? Angst? It's already priced into the markets, according to some experts.

Last week, *Barron's* published the results of its Big Money Poll, a biannual survey of professional investors and money managers. A majority of those surveyed (55 percent) were bullish about U.S. markets' prospects through June 2016, 29 percent were neutral, and 16 percent were bearish. That's a big shift. Last spring, just 45 percent of those polled were bullish and nearly one-half were neutral. This time around, things are different:

> "After a wild and crazy summer for U.S. stocks, marked by an 11 percent correction in August, Wall Street's bulls are showing conviction again…the pros expect stocks to rise by as much as 7 percent through the middle of 2016, propelled by a growing economy and gains in corporate profit. The Big Money investors see fresh value in beaten-up energy stocks and financials, as well as dividend-paying blue chips. And, they don't expect a likely interest-rate hike – when it comes – to break the bull's stride for long."

Investors who participated in the *American Association of Individual Investors' October 14 Sentiment Survey* weren't quite so optimistic. The survey showed just 34 percent of investors were bullish, 39 percent were neutral, and 27 percent were bearish. The bulls were down 3 percent from the previous week, and the bears gained a percent. Uncertainty seemed to be the name of the game, though, as the number of investors who held neutral opinions increased by 4 percent.

As an interesting side note, the professionals surveyed by *Barron's* estimated the number of investors who weren't sure where markets are headed was much larger – 76 percent!

If you're a contrarian – an investor who does not subscribe to popular opinion – there are a lot of opinions to consider.

Data as of 10/16/15	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.9%	-1.3%	9.2%	11.8%	11.4%	5.5%
Dow Jones Global ex-U.S.	0.4	-3.1	-0.9	2.6	0.3	1.8
10-year Treasury Note (Yield Only)	2.0	NA	2.2	1.7	2.5	4.5
Gold (per ounce)	2.5	-1.5	-4.6	-12.2	-2.9	9.6
Bloomberg Commodity Index	-1.4	-14.0	-23.6	-14.9	-9.3	-6.6
DJ Equity All REIT Total Return Index	1.2	1.2	10.7	10.7	11.7	7.9

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.

IT'S NOT ALWAYS A GOOD IDEA TO ROLLOVER COMPANY STOCK from a 401(k) plan to an IRA. In fact, doing so might mean you pay more in taxes to Uncle Sam than necessary.

If company stock held in an employer-sponsored 401(k) plan has appreciated, the difference between the amount paid for shares (the cost basis) and the current value of those shares is known as net unrealized appreciation (NUA). For instance, if an investor paid $10 a share for 1000 shares ($10,000) for stock that is now worth $15 a share, then the investment is worth $15,000, and the NUA is $5,000.

If the shareholder completes a rollover from a 401(k) plan to an IRA, those shares of company stock will be liquidated, along with the other assets in the account, and moved to an IRA where the assets will have an opportunity to continue growing tax-deferred. When the assets are distributed from the IRA, they may be taxed as ordinary income. If the investor is in the 28 percent tax bracket, the taxes owed would be about $4,200.

There is an alternative that could be a better choice tax-wise. An investor can request company stock be distributed in-kind and sent to a taxable account. The stock is not liquidated. The shares are moved to the new account. The investor may owe ordinary income taxes (and penalties if he or she is not yet age 59½) on the cost basis ($10,000). However, the net unrealized appreciation ($5,000) will not be taxed until the shares are sold. Taxes on the cost basis would be about $2,800.

If the investor takes a distribution right away, and the shares have been held for more than one year, the proceeds may be taxed at the long-term capital gains tax rate, which is currently lower than the ordinary income tax rate. If the investor is in the 15 percent capital gains tax bracket, another $750 would be owed in taxes. In this example, the investor could save about $650 in taxes overall.

Please keep in mind this is a hypothetical example and is not representative of any specific situation. Each investor is unique and your results may vary. Executing an NUA strategy seems pretty straightforward, but it can be tricky and not everyone is eligible. If you would like to learn more, please give your tax professional a call.

Weekly Focus – Think About It

"If you wish to forget anything on the spot, make a note that this thing is to be remembered."

--Edgar Allan Poe, American poet

Best regards,

John Y. Kim, J.D., LL.M.
President

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 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.
* These views are those of Peak Advisor Alliance, and not the presenting Representative or the Representative's Broker/Dealer, and should not be construed as investment advice.
* This newsletter was prepared by Peak Advisor Alliance. Peak Advisor Alliance is not affiliated with the named broker/dealer.
* 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.

Sources:
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