July 20, 2015

Dear Valued Investor:

The recent agreement between Greece and its creditors gave us a weekend off from dramatic headlines and looming deadlines that may threaten the global economy and financial markets. However, that hasn’t stopped the media from fretting just the same.

We all know the global risks currently facing financial markets and the economy. The potential inability for the recent Iranian nuclear agreement to truly stop Iran from developing a nuclear weapon, tragedy at the hands of Islamic State militants, and the bursting of China’s stock market bubble are a few examples. Although we acknowledge these risks and monitor possible links to financial markets, they must be put in perspective. Closer to home, we are also watching corporate earnings and economic trends that may impact markets. As earnings season ramps up, we are watching:

* **Corporate America’s response to recent macro headlines.** We expect corporate America to tell us that their businesses have not been impacted from the turmoil in Greece and volatility in China’s stock market.
* **Modest profit growth despite two significant drags.** We expect second quarter earnings to look very much like first quarter earnings, based on macro trends and historical guidance, and produce slight year-over-year growth, despite the significant drags from energy and a strong U.S. dollar.
* **Optimism from corporate management teams**. Potential positive guidance about earnings in the second half of the year may provide a catalyst for markets to break back above prior highs set before the latest bout of largely Greece-related selling pressure.

The latest edition of the Federal Reserve’s Beige Book, an assessment of regional economic conditions across the United States, released on July 15, supports our view that recent events on the world stage matter more to media and markets than they do to Main Street. The latest Beige Book revealed only one mention of the Greek debt crisis, and no mentions of China, but instead was dominated by numerous positive references.

LPL Research’s Beige Book Barometer (BBB), which aggregates the book’s entire data set by comparing the number of positive, or strong, words with the number of negative, or weak, words, climbed to its second-highest reading in over 10 years. The Beige Book notes that the economy is continuing to grow at a modest pace. Continued economic expansion, even if modest, is likely to drive corporate earnings higher.

Media will continue to focus on high-profile events, and obviously geopolitical issues are important and merit watching. At the same time, we can’t forget about earnings and U.S. economic headlines that also impact the markets. In our view, corporate earnings are a primary driver of stock prices over the longer term. Therefore, keeping an eye on Main Street and corporate America is essential, as both provide key insights about the current investment landscape.

As always, if you have questions, please contact me.

Best regards,

**Rick Fisher**,CFP®

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