630 Business Center Drive, Third Floor, King of Prussia, PA 19406 • www.tp-advisory.com
Phone: 610-254-0451 Fax: 484-580-8482 email: thomaspadilla@comcast.net

Ball of Confusion (That's What the World is Today)

Global Markets and Regions

	2nd QTR	2015 YTD
US	1.70%	1.40%
Developed Europe	0.70%	4.30%
Asia	1.80%	9.30%
Emerging Markets	0.80%	3.10%

US Markets

	2nd QTR	2015 YTD
Dow 30	-0.30%	-0.00%
Large Cap Cos.	0.58%	1.65%
Mid. Cap Cos.	-1.11%	4.10%
Small Cap Cos.	1.08%	4.03%
Bonds	-2.16%	-0.03%

The Temptations had a hit single by this title in 1970. Forty five years ago they were commenting on the state of the world at the time. It appears their observations are still relevant today. Hot wars and Cold wars, nuclear proliferation, social unrest, political corruption and economic disruption were daily headline themes confronting and confounding investors. The more things change the more they stay the same.

We are in a challenging investment environment. Returns are randomized and volatile, driven increasingly by short term events and headlines. Interest rates remain at unnaturally low levels stipulated by Central Banks around the world. Their actions distort investment decisions, as traditionally low risk options are rendered essentially "no-return". Everyone "knows" the distortion can't go on indefinitely, but it still goes on. The Federal Reserve is signaling they plan to return rates to normal when the data determines the economy can sustain higher rates; eventually. The drama in Greece and Europe appears to be a real time demonstration of what happens when circumstances that everyone knows can't continue "appear" not to continue; maybe. Investors will be challenged. When haven't they been challenged? Ask the Temps.

China, touted as the world's great growth engine, appears to be experiencing a bit of a slowdown. Economic growth rates have dipped into the mid-single digits. The Chinese centrally managed economy has been heralded as an example of what government guidance and partnership with private capital can accomplish. Investors are beginning to doubt the results as Chinese stocks are down to bear market levels.

Puerto Rico, a US Territory, is teetering on the edge of bankruptcy. They appear to be our next Detroit as they try to sort out the financial chaos. They are not Greece, with only about a third of the population and half the economic output, and they are part of the US rather than Europe. But they have issued a lot of bonds that will have to be dealt with. There are other US cities and states in similar financial circumstances.

We also have hot wars and cold wars. Ukraine is the scene of occasional fighting and tension as Putin and Russia continue to pressure the West. Maybe he is planning a vacation to Greece. ISIS is still rampaging throughout the world, though so far they've reserved their biggest displays for the Middle East. Iran is close to, or may already have, a nuclear bomb, a comforting development in a world of increasing political and social tensions.

The US economy continues to hum along through an anemic recovery. Growth rates are tepid by historic standards, but still positive. Employment continues to improve and wages are growing, though there is still a stubbornly large number of under employed and a large segment of the population appears to have dropped out of the work force. Construction spending and housing prices continue to improve as well as car sales and overall consumer confidence and spending.

We are entering earnings season with expectations of very low to almost no growth in earnings. Earnings are what ultimately drive stock prices. In a low/slow growth environment, strong earnings growth across all sectors of the economy have been hard to come by. Companies have been able to deliver earnings growth through cost cutting and other efficiencies. Strong top line revenue growth has also been lacking. Our own government has made the task more difficult with new layers of regulation. Things are moving in a positive direction, but not quickly enough to really ignite investor enthusiasm. We seemed poised to continue this slow evolution and challenging investment environment. "And the band played on."

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