Weekly Market Summary – 9/14/11

Equity markets slipped lower during the holiday-shortened week. The S&P 500 Index lost 1.65 percent.

President Obama's speech last Thursday night—which outlined a new jobs package intended to help stimulate hiring—did little to inspire equity markets. Doubts immediately surfaced about the temporary nature of many of the programs presented, as well. [Read more now.]

Weekly Market Sumary, Sept. 6, 2011

Equity markets ended very close to where they started, and the benchmark S&P 500 Index (S&P 500) lost 18 basis points. But the market took a circuitous route to get there, as the small change was not as straightforward as it would have first appeared, with volatility spiking again late in the week on the jobs report.

The disappointing employment report showed that the U.S. economy had added net-zero jobs in August. This sent equity markets tumbling and reversed several days of solid gains. [Read more now.]

Weekly Market Summary – 9/1/11

Federal Reserve Chairman Ben Bernanke’s speech in Jackson Hole, Wyoming, last week was largely a nonevent, as he provided no new information or outlook. Read more now in our Weekly Market Summary.

Stephanie Griffin Passes the Maine State Property & Casualty Producer Licensing Exam.

Stephanie Griffin

Allen Insurance and Financial is pleased to announce that Stephanie Griffin has passed the Maine State Property & Casualty Producer licensing exam.

Griffin, of Camden, joined Allen Insurance and Financial in late 2010 as a receptionist in the company’s Camden office.

A native of Appleton, Griffin is attending the University of

Maine in Augusta, working toward a bachelor's degree in public administration. She has already earned a certificate in human resource management from UMA.

Griffin, who had not worked in insurance prior to joining Allen Insurance and Financial, participated in the company's in-house education program, where employees who want to become licensed insurance producers in Maine attend class for four hours each week, then study and prepare for the state licensing exam on their own time.

Important recommendations for protecting your vessel from hurricane damage

Protecting boaters and their vessels, whether they are 20 or 200 feet in length, requires experience, industry knowledge and a degree of creativity. Read this special – and useful – PDF.

Weekly Market Summary, Aug. 15, 2011

The Federal Reserve stated last week that it plans to maintain an accommodative rate environment "through at least mid-2013."

This is a change from the “extended period of time” language the Fed has used during the last few years.

The 2-year Treasury reached a new historical low of 0.168 percent during intraday trading last week, after the Fed’s announcement. Read more now.

Pet Insurance: Because Fido is a Part of the Family, Too

A pet is part of the family. And like other family members, pets have health needs. Pet insurance, available through Allen Insurance and Financial, helps pet owners manage the rising cost of treating their pet’s illnesses and injuries.

A pet insurance plan includes:

• Visit any licensed veterinarian, including specialists.

• Get back 80 percent of bills for covered services. Plans cover office visits, lab tests, surgery and more.

• Pets as young as seven weeks old are covered – and no pet is too old for coverage.

For more information, contact Karen Reed at 236-4311 or 800-439-4311 or by email at kreed@alleninsuranceandfinancial.com.

Weekly Market Summary, Aug. 8, 2011

Standard & Poor’s downgraded the U.S. debt rating from AAA to AA+ on Friday. The news is likely to impact markets in the coming days.

In our opinion, the largest holders of longer-term Treasuries (the Federal Reserve, China, and Japan), along with some of the largest funds in the world, still consider U.S. Treasuries to be the safest security globally. Read more now.

The Budget Control Act and Debt Ceiling

After months of political posturing and debate, it looks as if the August 2011 debt ceiling issue has finally been resolved.

The Budget Control Act was passed by the U.S. House of Representatives 269 to 161, with Democrats split evenly and Republicans voting174 infavor and 66 against. In the Senate, the bill also passed, with 74 senators in favor and 26 against. Both the president and Republican leadership in the House claimed victory, while rank and file members of Congress on both sides of the aisle maligned the bill as a betrayal of party policies.

Leading up to the deal, Republican goals broadly included no tax increases, significant spending cuts to nondefense expenditures, including entitlement programs, and a balanced budget amendment. Democrats hoped to either raise taxes or close loopholes, cut defense spending, and protect entitlements such as social security and Medicare. Leaders of both parties claimed to want to avoid government shutdown or default, as well as to avoid a downgrade ofU.S.debt from AAA status.

Over the months leading up to the Treasury's debt ceiling deadline, Republican and Democrat leadership nearly came to agreement on a number of iterations of a "grand bargain," which would have potentially saved $4 trillion over the next 10 years and included both tax increases and cuts to entitlement programs. This would likely have been the most effective long-term solution to reducing our national debt. But with Tea Partiers putting pressure on the Republican right and Progressives lobbying on the Democrat left, a second-best deal was agreed upon instead.

In this deal, both Democrats and Republicans had to make concessions, but both achieved some key goals. The passage of the debt ceiling may have helped avoid an immediate crisis in financial markets, but the long-term compromise that was reached lacked the level of spending cuts and/or tax increases that many had hoped for.

Details of the bill

In total, the bill is expected to raise the debt ceiling between $2.1 and $2.4 trillion, which should be enough to last past the 2012 elections and into 2013. Deficit reduction is expected to total at least $2.1 trillion over the next 10 years ending in 2021.[1] Immediately following the passage of the bill, the Treasury was granted $400 billion of new borrowing authority to raise the debt ceiling. The additional $1.7 to $2 trillion in debt ceiling increases will come in two stages, both of which will originate from the desk of the president and be subject to a two-thirds disapproval vote by both houses of Congress

As for the spending cuts, these will come almost entirely from discretionary spending, meaning that entitlement programs such as social security, Medicare, and Medicaid will be left almost untouched. Initially, $917 billion in savings from spending caps have been approved. Of these initial cuts, $350 billion will come from defense[2] and the balance will come from a variety of discretionary programs, including subsidized student loans for graduate students and loan repayment incentive programs.[3]

A Congressional Joint Select Committee on Deficit Reduction will also be formed, whose goal it will be to identify an additional $1.5 trillion in savings over the next five years. This Committee will be handcuffed in that it cannot cap spending on the wars inAfghanistanandIraqand in that Medicaid and social security will be exempt from consideration. Although tax increases may technically be allowed under the deal, Republicans are unlikely to agree to any tax hikes. Finally, Medicare may be subject to cuts of no more than 2 percent. If the Committee fails to come to an agreement, automatic reductions in spending will reduce deficits by $1.2 trillion over 10 years.

Spending Cuts Coming Only from Discretionary Spending

Source: Congressional Budget Offic

Implications of the bill

As investors, many of us are keenly interested in the economic impact of the passage of this bill. Given the initially poor market reaction after the bill’s passage, one might conclude that the overall effect of passage was negative. But some negative market developments should be attributed to weak economic reports, including ISM Manufacturing and GDP, which were published almost concurrently with the bill's approval.

On the whole, from the perspective of the financial markets, passage of the Budget Control Act is at the very least a lesser among evils. Had a bill not been passed—forcing government officials to prioritize spending and avoid default—markets could well have reacted in a much more negative way.

Although this bill must be described as a relief from short-term crisis, its medium- and long-term implications may be less positive. With GDP growth averaging less than 1 percent annualized over the first half of the year, even the modest reductions in spending set to go into effect in 2012 could cause some drag on economic growth.

In the long run, the cuts made in the Budget Control Act may not be sufficient to turn federal budgetary habits in the right direction. In a scenario where deficit savings amount to $2.4 trillion over the next 10 years, this averages out to a deficit reduction of just $240 billion per year.

Current Congressional Budget Office projections are for average deficits of $947 billion per year over same time frame, based on President Obama's April 2011 budget. This means that the savings will likely not exceed continued deficit spending and that, eventually, we may face another round of budget-related debate.

Closing thoughts

It is difficult to call the Budget Control Act a clear victory for either party, but it does represent a step in the right direction. At present, the immediate concerns about debt have been alleviated. In addition, regardless of political leanings, everyone can agree that it is encouraging to seeWashingtonaddressing these issues now while the public debt is manageable.

Investors will do well to recall that theU.S.economy remains the largest—and is among the most stable—in the world. Our economy and stock market have weathered volatility in the past. Although it may not boost media ratings, there is a case for optimism. The government is under pressure to provide viable solutions for the long-term, rather than a short-term fix. So, too, should investors consider their long-term goals and strategy when evaluating their personal financial situation. We, too, will be monitoring the activity inWashingtonand the markets with an eye toward the future.

Authored by Simon Heslop, CFA®, director of asset management, and Sean Fullerton, investment research associate, at Commonwealth Financial Network.

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[1] Source: Congressional Budget Office

[2] Source: *Wall Street Journal*

[3] Source: Congressional Budget Office

Changing Healthcare Landscape

Impacts Businesses: Free Workshops to Help Gauge Your Readiness

Allen Insurance and Financial is holding three free workshops for businesses and non-profits to help explain the impact of LD 1333, the new state law changing the health insurance landscape in Maine.

The workshops, free open to the public, will be held Tuesday, Aug. 23, at the Maine Lighthouse Museum in Rockland; Wednesday, Aug. 24, at the Lord Camden Inn in Camden and Thursday, Aug. 25, at the Ramada Inn in Ellsworth.

Each workshop will run from 8:30 to 10 a.m. Coffee and pastries will be served.

“There’s no more important time to learn about the state of the health insurance market and how LD 1333 impacts small- and medium-sized businesses and non-profits in Maine,” said Dan Wyman, employee benefits specialist at Allen Insurance and Financial, adding that the workshops will address changes required by LD 1333 and how LD 1333 will work alongside federal healthcare reform.

Allen Insurance and Financial, with offices in Camden, Rockland and Southwest Harbor, serves more than 600 companies and non-profits, large and small, from Kittery to Calais, with their employee benefits needs. For more information about these workshops, call Sherree Craig at 800-439-4311.

In addition to a question-and-answer session, the workshops will address:

- Key Provisions of LD 1333 and their impact on small- and medium-sized business in Maine, including pricing structures and mechanisms, Rule 850, creation of a high-risk pool, and the possible opportunity to purchase health insurance across state lines.
- Important deadlines.
- What the future may hold.
- Resources to learn more and to stay up-to-date on the issue. A Maine native, Dan graduated from Williams College and the University of Maine School of Law, where he was an editor of the Maine Law Review. He practiced law with a Portland firm, specializing in insurance litigation, prior to joining Allen Insurance and Financial. He has represented employers and insurers before the Maine Supreme Court and the U.S. First Circuit Court of Appeals. At Allen Insurance and Financial, he works with businesses and non-profits throughout Maine on group benefits insurance planning.