



PRAIRIE WEALTH ADVISORS
Registered Investment Advisor

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Mid-Year Report “Greek Re-dux”

Most of the first half of 2015, the business media has spent worrying about when the Federal Reserve will start raising interest rates. Low and behold, over the last 30 days someone found a can in the middle of the road and the label on it was Greece. Three years ago European governments “kicked the can” down the road with the Greece debt issue and now we get to see whether or not it happens again. Now everything that seemed to be certain to happen with the Federal Reserve isn’t necessarily certain. Over the next week or two we should know the next chapter to this old story. We will all just have to “stay tuned”!

While that story develops, here are the things I will be watching in the second half of the year:

1. Europe. With the issue of the debt that Greece cannot pay, whether the Euro as a currency stays as one currency, and if there is a contagion of the crisis to other weak countries in the Euro like Spain and Italy, it seems that Europe has a “tough row to hoe”. Should the Eurozone slip into a full blown recession, it would have repercussions on our own economy at some point in the future.
2. China. China seemed to be moving along fine as the Chinese government used their own form of Quantitative Easing to stimulate their economy. The Chinese stock market soared to extreme new highs over the last year and investors there were borrowing all they could to buy Chinese stocks...but wait a minute. Over the last thirty days the Chinese stock market has fallen over 30%, creating panic selling and need for their government to step in and place controls on their market. Placing controls on markets doesn’t work very well over the long term. So again, we will have to wait and see what the fall out may be to China’s economy. They are a big consumer of agriculture and natural resource products from around the globe.
3. The U.S. economy. As the rest of the world’s news has unfolded, the United States economy seems to have decoupled from everyone else. Our economy has been gradually picking up steam, benefiting from the effects of lower energy prices. The stock and bond market are generally flat at the mid-point of the year, an unusual occurrence because normally one stands out from the other return wise. I think there is a “tug of war” going on. On one side, the global economic events and whether they will they spill over to the U.S. economy. The other side; will the U.S. economy continue to do well enough that the Federal Reserve finally starts to raise interest rates? Stay tuned.

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4. **Municipal Bond Market.** While all of the other business headline news has been occurring, a new blip showed up on the news radar screen a week or so ago, Puerto Rico. The Governor of Puerto Rico announced that the island territory may default on its almost 80 billion dollar municipal bond debt. An attention-getter for sure! Many thought the City of Detroit's bankruptcy was a big deal at 18 million; Puerto Rico would certainly dwarf that. Personally, I am not surprised by the issues that are plaguing Puerto Rico. They grew their local economy by using too much debt and they handed out benefits using municipal debt as a way to finance it. Once the music stopped and their economy stopped growing, they couldn't pay back what they borrowed. What many people have assumed is that the United States government will step in and bail them out. Maybe they will, but I don't accept that as a foregone conclusion. Puerto Rico bonds were/are more widely distributed than the City of Detroit bonds were. The Puerto Rican bonds have special tax treatment which allows them to be tax exempt in states that have a state income tax. So, many mutual funds and individual investors have invested in these bonds for many years. If Puerto Rico were to default, my opinion is that there would be a pull back by investors in buying municipal bonds in general. If that were to occur, what I would say is not all bonds are created equal and not all municipalities are fiscally irresponsible. If we own municipal bonds that have good underlying fundamentals and they are meeting our income objectives, then why would we sell them? The municipal market is an important part of our overall portfolio strategy at Prairie Wealth Advisors, Inc. so be assured we are monitoring developments in that market daily.

My mid-year summary was a little longer than normal yet I will trust that you find it to be beneficial and educational! My job, our job at Prairie Wealth Advisors is to partner with you as we travel down the road of managing your financial assets. If now is a time when you would like our opinion regarding your portfolio or a planning item in your life, please call us to discuss or schedule a meeting time.

Have a cool and safe rest of your summer!

Best Regards,



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