

~ AUGUST 2016 NEWSLETTER ~

### Monthly Summary

The placid behavior of the capital markets in August was truly remarkable. Not only was this the case relative to the gut wrenching volatility earlier in the year, but also from a much longer historical perspective. The S&P 500 index traded within its tightest 30 day range since December 1965, and the yield on the 10 year U.S. Treasury note moved in its narrowest range in over a decade. Low volatility levels such as these have only been seen a handful of times over the past half century.

Interesting undercurrents were at play despite calm waters. All three major U.S. stock market indexes (Nasdaq, Dow, and S&P 500) closed at record highs on August 11, the first time since the end of 1999. And oil, which fell into a bear market to start the month, rallied back into a bull market by month end.

Central banks were active as well. The Bank of England cut interest rates in anticipation of BREXIT related weakness, the Bank of Japan telegraphed bold action forthcoming in September, U.S. Federal Reserve members openly discussed the prospect of interest rate hikes in coming weeks or months - with perhaps two by year end, and more is expected near term out of the European Central Bank.

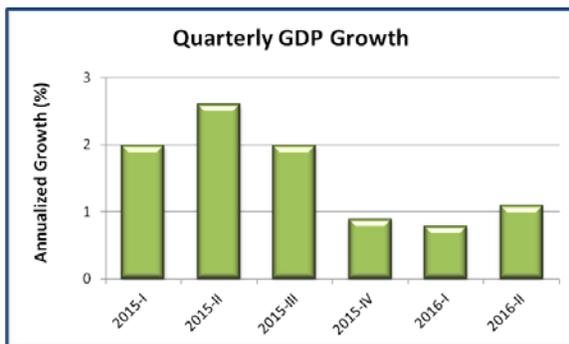
Records acknowledged and jawboning aside, U.S. stock and bond markets finished nearly even with their starting values, and developed international equity markets followed suit.

### Economic Data

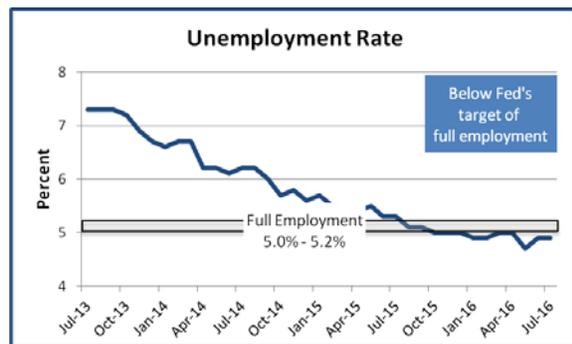
<u>General</u>	<u>Prior</u>	<u>Current</u>
GDP growth	0.8% (Q1)	1.1% (Q2)
Trade balance	-\$41.0B (May)	-\$44.5B (Jun)

<u>Employment</u>	<u>Prior</u>	<u>Current</u>
Initial jobless claims	262,000 (8/13)	261,000 (8/20)
Continuing claims	2.2MM (8/6)	2.1MM (8/13)
Change in nonfarm payrolls	292,000 (Jun)	255,000 (Jul)
Unemployment rate	4.9% (Jun)	4.9% (Jul)
Average weekly hours	34.4 (Jun)	34.4 (Jul)

<u>Consumer</u>	<u>Prior</u>	<u>Current</u>
Consumer confidence index (Conf. Board)	97.4 (Jun)	96.7 (Jul)
Retail sales growth (YoY)	3.5% (Jun)	0.7% (Jul)
Change in consumer credit	\$17.9B (May)	\$12.3B (Jun)



Data Source: U.S. Bureau of Labor Statistics



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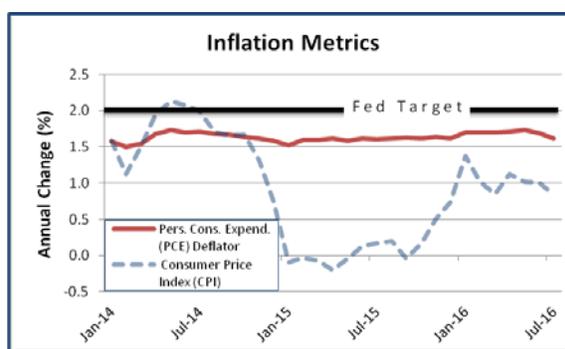
<b>Manufacturing &amp; Service</b>	<b>Prior</b>	<b>Current</b>
ISM manufacturing index	53.2 (Jun)	52.6 (Jul)
ISM non-manufacturing index	56.5 (Jun)	55.5 (Jul)
Durable goods orders growth	-4.2% (Jun)	4.4% (Jul)
Industrial production growth	0.4% (Jun)	0.7% (Jul)
Capacity utilization	75.4% (Jun)	75.9% (Jul)

<b>Real Estate</b>	<b>Prior</b>	<b>Current</b>
New home sales	582,000 (Jun)	654,000 (Jul)
Existing home sales	5.6MM (Jun)	5.4MM (Jul)
S&P CoreLogic CS home price index (YoY)	5.3% (May)	5.1% (Jun)

<b>Inflation</b>	<b>Prior</b>	<b>Current</b>
Consumer price index/Core (YoY growth)	1.0%/2.3% (Jun)	0.8%/2.2% (Jul)
Producer price index/Core (YoY growth)	0.3%/1.3% (Jun)	-0.2%/0.7% (Jul)



Data Source: U.S. Census Bureau



Data Sources: U.S. Bureau of Labor Statistics/U.S. Federal Res.

## Market Returns

	<b>August 2016</b>	<b>YTD 2016</b>
<b>Fixed Income</b>		
Barclays Aggregate Bond	-0.1%	5.9%
Barclays Municipal Bond	0.1%	4.5%
Barclays Gbl Agg. ex. U.S.	-0.8%	12.0%
<b>Alternatives</b>		
Bloomberg Commodity	-1.8%	5.6%
DJ US Real Estate	-3.3%	12.6%

Data Source: Morningstar

	<b>August 2016</b>	<b>YTD 2016</b>
<b>Domestic Equities</b>		
Wilshire 5000	0.2%	8.3%
S&P 500	0.1%	7.8%
Russell 2000	1.8%	10.2%
<b>International Equities</b>		
MSCI EAFE (Developed)	0.1%	0.5%
MSCI EM (Emerging)	2.5%	14.5%

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