



~ MAY 2016 NEWSLETTER ~

Monthly Summary

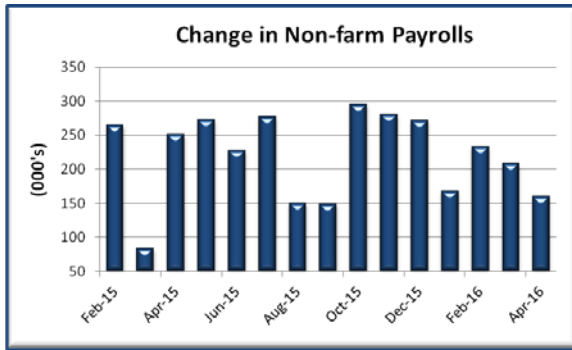
In relation to dramatic moves earlier in the year, investment markets were generally tame in May. Domestic stocks rose by low single digits and bonds were basically flat. International markets were off modestly, largely due to strength in the dollar.

As typical, investors were hypersensitive to Federal Reserve communications during the month. The most important of these was the mid-May release of the Fed's April meeting minutes. The somewhat hawkish stance of said release resulted in an upwardly revised probability of a Fed interest rate hike on June 15 - from essentially zero to just over 30%. And odds for a hike by the July meeting now exceed 50%. In response, the dollar strengthened, commodities and international investments were challenged, and an already flat yield curve flattened further. Aside from Britain's potentially disruptive June 23 vote on membership in the European Union, which could give the Fed pause, many signs do suggest a tighter U.S. monetary stance is in order. Housing and auto sales remain strong, wages are on the rise, industrial production and durable goods orders have improved, and consumers recently dialed back savings in favor of consumption. Inflation is also on the rise. April posted the strongest month on month gain in inflation in over three years as the disinflationary pulses of a strong dollar and weaker energy prices have begun to fade. Moreover, lethargic U.S. worker productivity against a backdrop of a tightening labor market could lead to greater inflationary pressures than markets presently expect. June, July, or September, it does appear reasonable to expect a Fed rate hike in coming months.

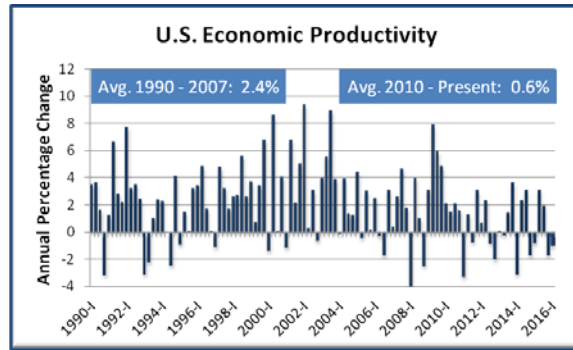
<u>General</u>	<u>Prior</u>	<u>Current</u>
GDP growth	1.4% (Q4)	0.8% (Q1)
Trade balance	-\$47.0B (Feb)	-\$40.4B (Mar)

<u>Employment</u>	<u>Prior</u>	<u>Current</u>
Initial jobless claims	278,000 (4/14)	268,000 (4/21)
Continuing claims	2.2MM (4/7)	2.2MM (4/14)
Change in nonfarm payrolls	208,000 (Mar)	160,000 (Apr)
Unemployment rate	5.0% (Mar)	5.0% (Apr)
Average weekly hours	34.4 (Mar)	34.5 (Apr)

<u>Consumer</u>	<u>Prior</u>	<u>Current</u>
Consumer confidence index (Conf. Board)	94.7 (Mar)	92.6 (Apr)
Retail sales growth (YoY)	3.6% (Mar)	2.9% (Apr)
Change in consumer credit	\$14.1B (Feb)	\$29.7B (Mar)



Data Source: U.S. Bureau of Labor Statistics



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Manufacturing & Service

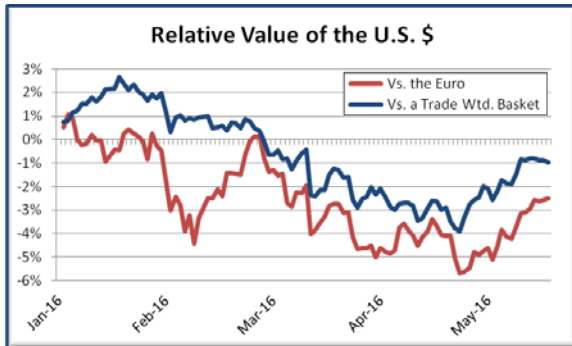
	<u>Prior</u>	<u>Current</u>
ISM manufacturing index	51.8 (Mar)	50.8 (Apr)
ISM non-manufacturing index	54.5 (Mar)	55.7 (Apr)
Durable goods orders growth	1.9% (Mar)	3.4% (Apr)
Industrial production growth	-0.9% (Mar)	0.7% (Apr)
Capacity utilization	74.9% (Mar)	75.4% (Apr)

Real Estate

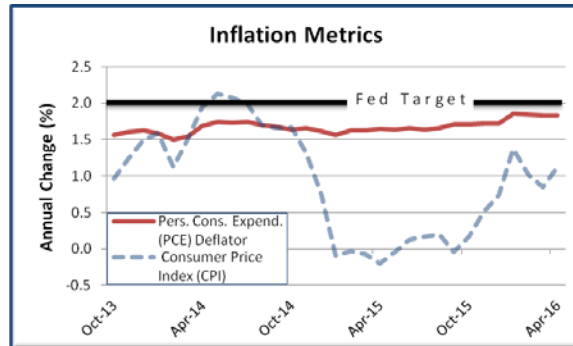
	<u>Prior</u>	<u>Current</u>
New home sales	531,000 (Feb)	619,000 (Mar)
Existing home sales	5.4MM (Feb)	5.5MM (Mar)
Case-Shiller home price index (YoY)	5.4% (Feb)	5.4% (Mar)

Inflation

	<u>Prior</u>	<u>Current</u>
Consumer price index/Core (YoY growth)	0.9%/2.2% (Mar)	1.1%/2.1% (Apr)
Producer price index/Core (YoY growth)	-0.1%/1.0% (Mar)	0.0%/0.9% (Apr)



Data Source: U.S. Federal Reserve



Data Sources: U.S. Federal Reserve/U.S. Bureau of Labor Stats.

Market Returns

	May 2016	YTD 2016
<u>Fixed Income</u>		
Barclays Aggregate Bond	0.0%	3.5%
Barclays Municipal Bond	0.3%	2.7%
Barclays Gbl Agg. ex. U.S.	-2.4%	7.8%
<u>Alternatives</u>		
Bloomberg Commodity	-0.2%	8.8%
DJ US Real Estate	2.4%	5.8%

Data Source: Morningstar

	May 2016	YTD 2016
<u>Domestic Equities</u>		
Wilshire 5000	1.8%	3.7%
S&P 500	1.8%	3.6%
Russell 2000	2.3%	2.3%
<u>International Equities</u>		
MSCI EAFE (Developed)	-0.9%	-1.1%
MSCI EM (Emerging)	-3.7%	2.3%

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