

~ OCTOBER 2015 NEWSLETTER ~

Monthly Summary

Following a rough third quarter, investment markets came roaring back with stunning gains in October. By Halloween, diminished fears drove U.S. stocks within reach of a new all time high. It was the best month for domestic equities in four years! International markets followed suit, with global averages rising by mid to high single digit percentage rates — comparable to gains in the U.S.

Considering the predominantly weak global economic landscape changed little in October, the driver behind worldwide gains in risk assets was global central bank activity. China's central bank lowered banking reserve requirements *and* cut interest rates, a combination rarely used. The European Central Bank all but telegraphed a December ramp up in its own monetary stimulus program, and the U.S. Federal Reserve once again postponed its desire to gradually normalize monetary policy. Japan, the only major economy to avoid central bank action, or the threat of action, did so only due to worries of overstimulation. Considering the nation's central bank balance sheet is now up to 70% of GDP (nearly triple those of the Fed and ECB on a relative basis), that's not hard to understand.

Market moves aside, economic challenges have mounted. China's growth, already believed to be grossly overstated, has slowed and will likely continue to do so. Japan's economic initiatives have fallen flat, European prices have gone down, and earnings and revenue for U.S. companies have fallen for two quarters in a row. That means domestic valuations are stretched. Standing atop central bank shoulders to keep one's head above murky economic waters seems an increasingly slippery proposition.

Economic Data

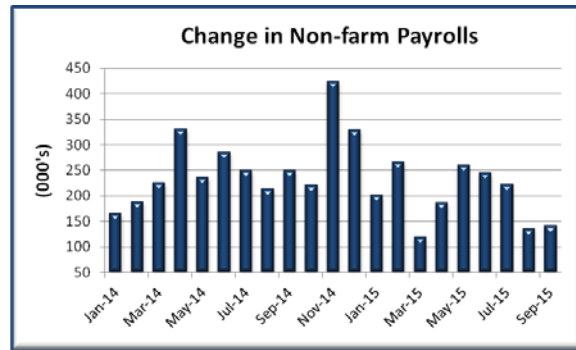
<u>General</u>	<u>Prior</u>	<u>Current</u>
GDP growth	3.9% (Q2)	1.5% (Q3)
Trade balance	-\$41.8B (Jul)	-\$48.3B (Aug)

<u>Employment</u>	<u>Prior</u>	<u>Current</u>
Initial jobless claims	259,000 (10/17)	265,000 (10/24)
Continuing claims	2.2MM (10/10)	2.1MM (10/17)
Change in nonfarm payrolls	136,000 (Aug)	142,000 (Sep)
Unemployment rate	5.1% (Aug)	5.1% (Sep)
Average weekly hours	34.6 (Aug)	34.5 (Sep)

<u>Consumer</u>	<u>Prior</u>	<u>Current</u>
Consumer confidence index (Conf. Board)	102.6 (Sep)	97.6 (Oct)
Retail sales growth (YoY)	1.4% (Aug)	2.5% (Sep)
Change in consumer credit	\$18.9B (Jul)	\$16.0B (Aug)



Data Source: U.S. Bureau of Economic Analysis

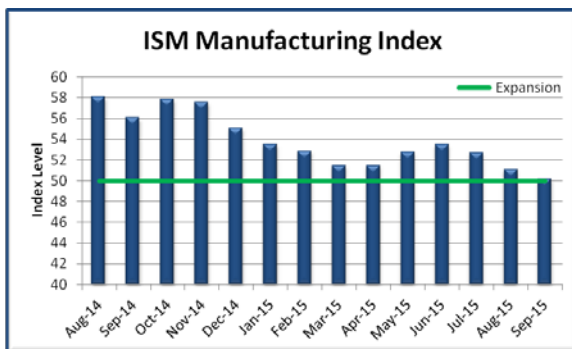


Data Source: U.S. Bureau of Labor Statistics

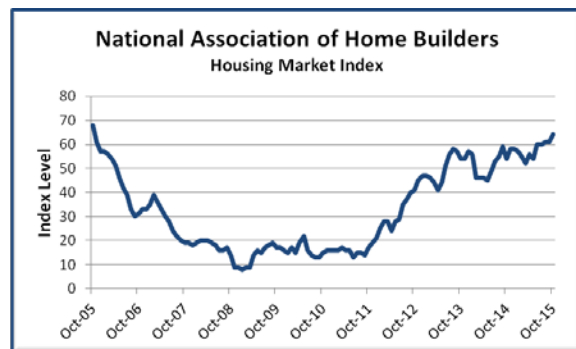
<u>Manufacturing & Service</u>	<u>Prior</u>	<u>Current</u>
ISM manufacturing index	51.1 (Aug)	50.2 (Sep)
ISM non-manufacturing index	59.0 (Aug)	56.9 (Sep)
Durable goods orders growth	-3.0% (Aug)	-1.2% (Sep)
Industrial production growth	-0.1% (Aug)	-0.2% (Sep)
Capacity utilization	77.8% (Aug)	77.5% (Sep)

<u>Real Estate</u>	<u>Prior</u>	<u>Current</u>
New home sales	529,000 (Aug)	468,000 (Sep)
Existing home sales	5.3MM (Aug)	5.6MM (Sep)
Case-Shiller home price index (YoY)	4.9% (Jul)	5.1% (Aug)

<u>Inflation</u>	<u>Prior</u>	<u>Current</u>
Consumer price index/Core (YoY growth)	0.2%/1.8% (Aug)	0.0%/1.9% (Sep)
Producer price index/Core (YoY growth)	-0.8%/0.9% (Aug)	-1.1%/0.8% (Sep)



Data Source: Institute for Supply Management



Data Source: National Association of Home Builders

Market Returns

	October 2015	YTD 2015
<u>Fixed Income</u>		
Barclays Aggregate Bond	0.0%	1.1%
Barclays Municipal Bond	0.4%	2.2%
Barclays Gbl Agg. ex. U.S.	0.3%	-4.5%
<u>Alternatives</u>		
Bloomberg Commodity	-0.4%	-16.2%
DJ US Real Estate	6.3%	1.2%

Data Source: Morningstar

	October 2015	YTD 2015
<u>Domestic Equities</u>		
Wilshire 5000	8.0%	2.2%
S&P 500	8.4%	2.7%
Russell 2000	5.6%	-2.5%
<u>International Equities</u>		
MSCI EAFE (Developed)	7.8%	2.1%
MSCI EM (Emerging)	7.1%	-9.4%

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