

# Q1 2016 CHART BOOK

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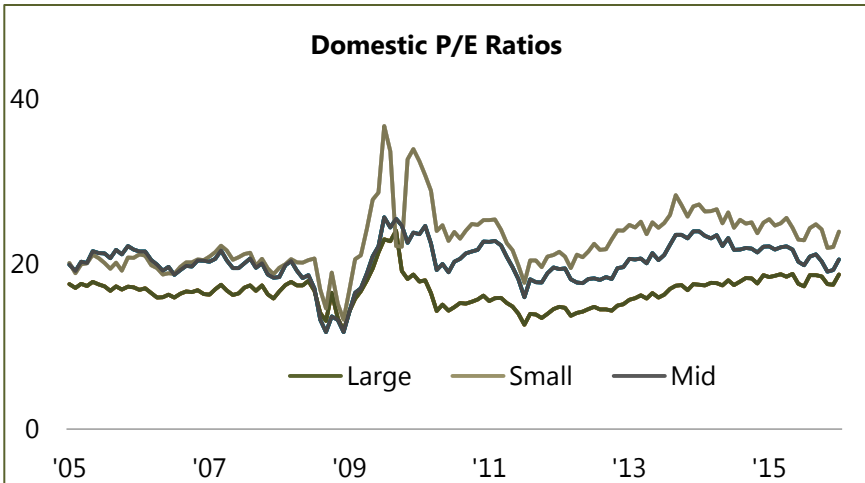
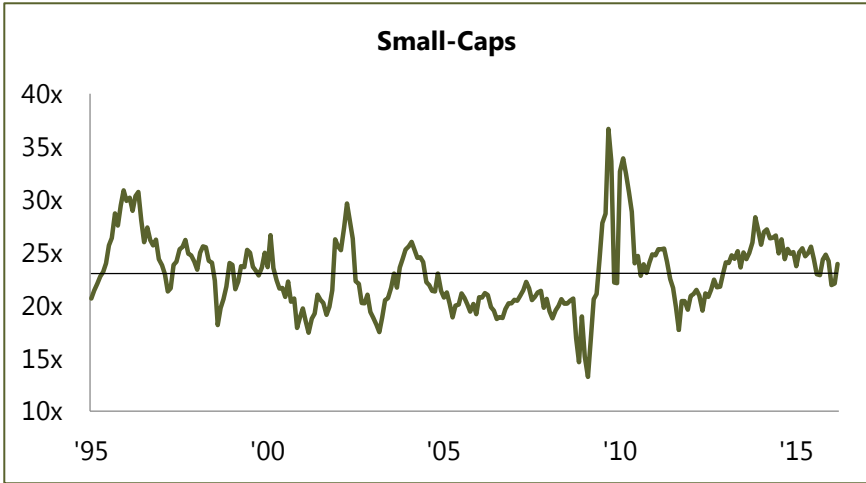
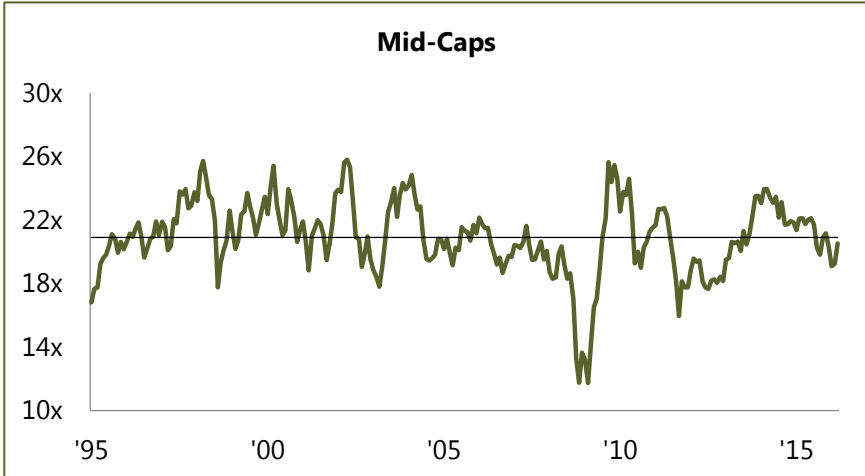
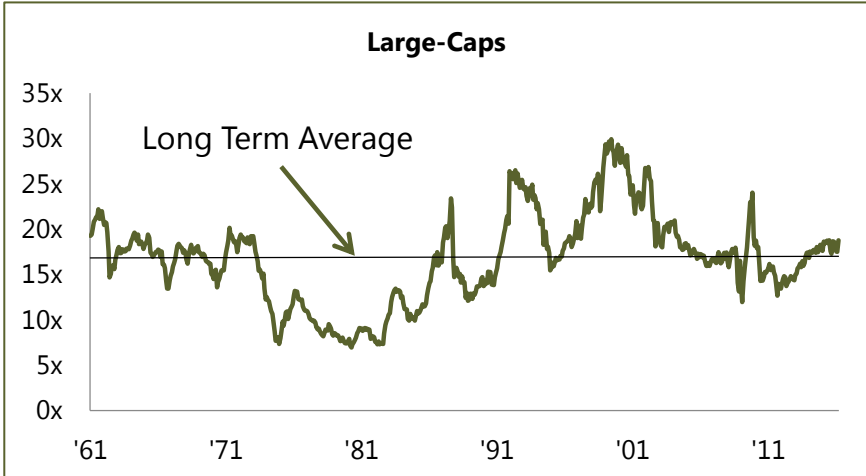
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North Palm Beach, FL

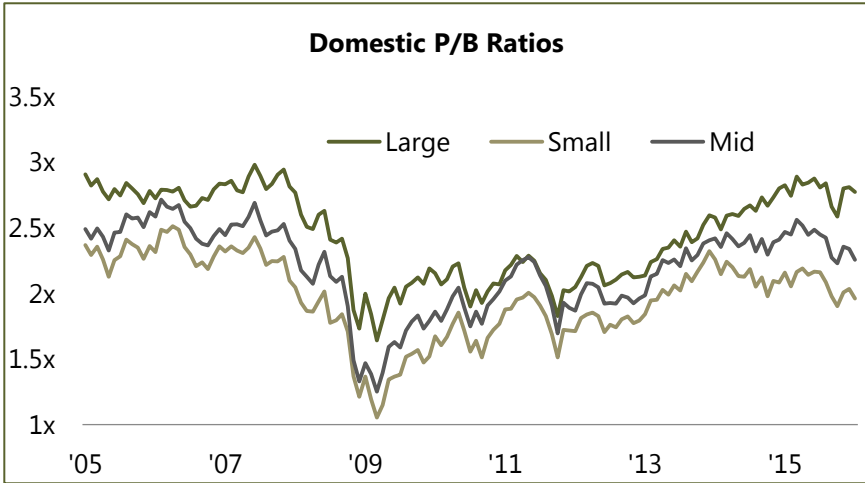
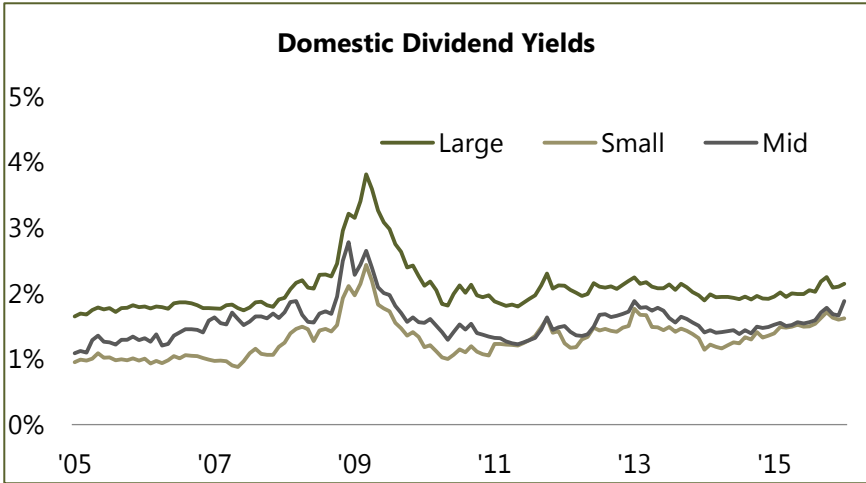
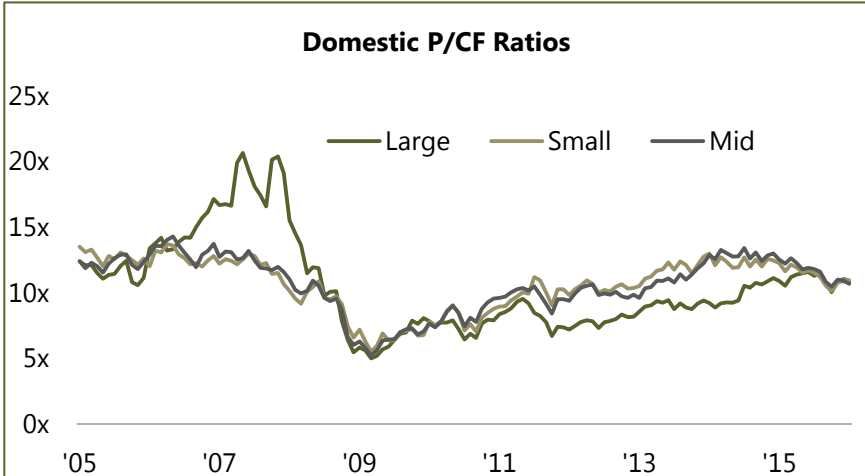
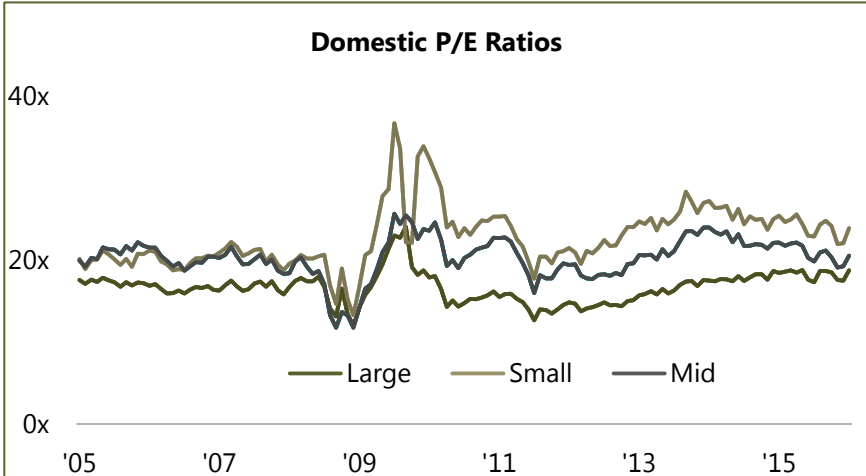
# Domestic P/E's

Domestic P/E's contracted considerably in mid-February, but have since expanded closer to the highs of last year's end. All three S&P Indices are trading near or slightly above long-term averages.



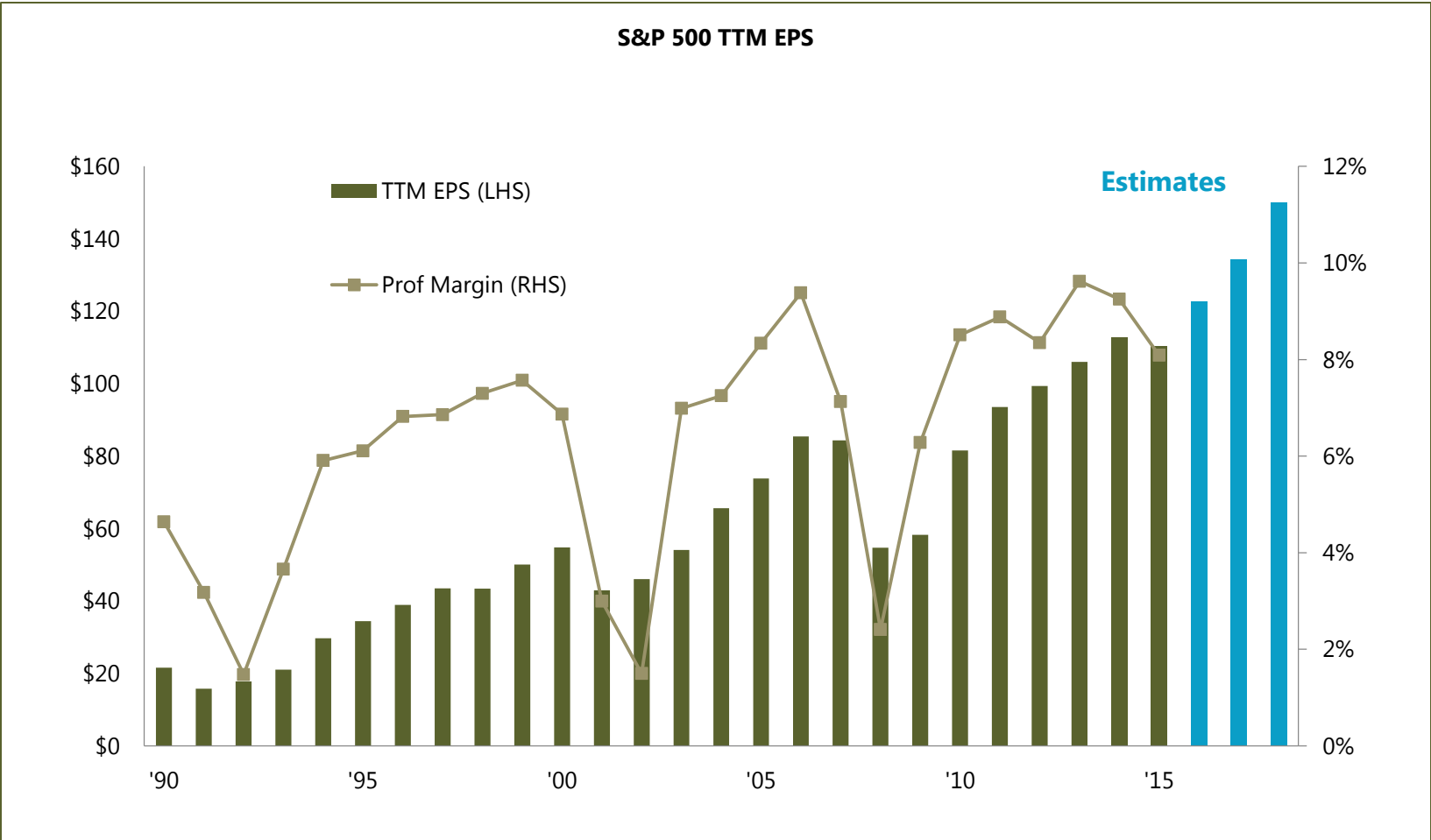
# Domestic Valuation Ratios

Domestic valuation ratios contracted considerably in mid-February, but have since expanded closer to the highs of last year's end. All three S&P Indices are trading near or slightly above long-term averages.



# S&P 500 EPS and Profit Margins

Depressed global growth and global geopolitical risks weigh heavy on 2016's earnings. Profit margins continue to contract from 2013's high.



Source: Bloomberg, estimates a/o 4/12/2016

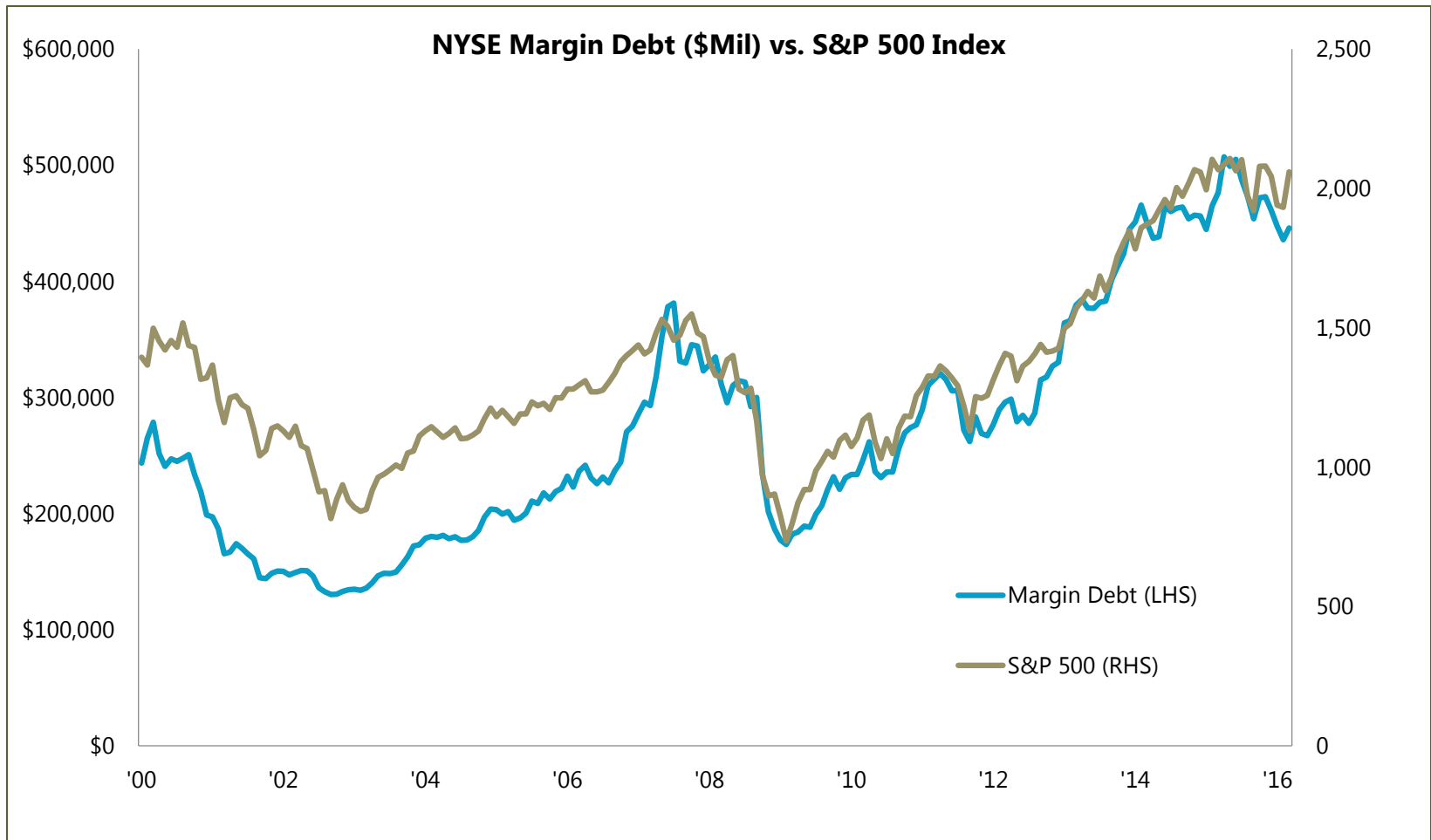
# Current Sector Valuations

The S&P 500 and its corresponding sectors continue to look more expensive than last quarter, from both a P/E and P/B multiple basis. Energy and Utilities are trading at high relative P/E Multiples, while Materials, Industrials and Consumer Discretionary are trading at high relative P/B Multiples.

<u>S&amp;P Sectors</u>	<u>ETF</u>	<u>P/E</u>	<u>P/B</u>	<u>Cheap on P/E?</u>	<u>Cheap on P/B?</u>	<u>Div Yield</u>
Health Care	XLV	22.1	3.9	Fairly Valued	Fairly Valued	1.6%
Consumer Discretionary	XLY	21.3	5.0	Fairly Valued	EXPENSIVE	1.6%
Consumer Staples	XLP	20.8	5.0	Fairly Valued	Fairly Valued	2.7%
Energy	XLE	19.9	1.5	Fairly Valued	Fairly Valued	3.7%
Tech	XLK	18.9	4.2	Fairly Valued	Fairly Valued	1.5%
Materials	XLB	16.8	3.2	Fairly Valued	Getting Exp	2.3%
Industrials	XLI	16.2	3.7	Fairly Valued	Fairly Valued	2.3%
Utilities	XLU	16.0	1.6	Fairly Valued	Fairly Valued	3.8%
Financials	XLF	14.5	1.3	Fairly Valued	Fairly Valued	2.1%
Telecoms	VOX	13.6	2.7	Fairly Valued	Fairly Valued	5.1%

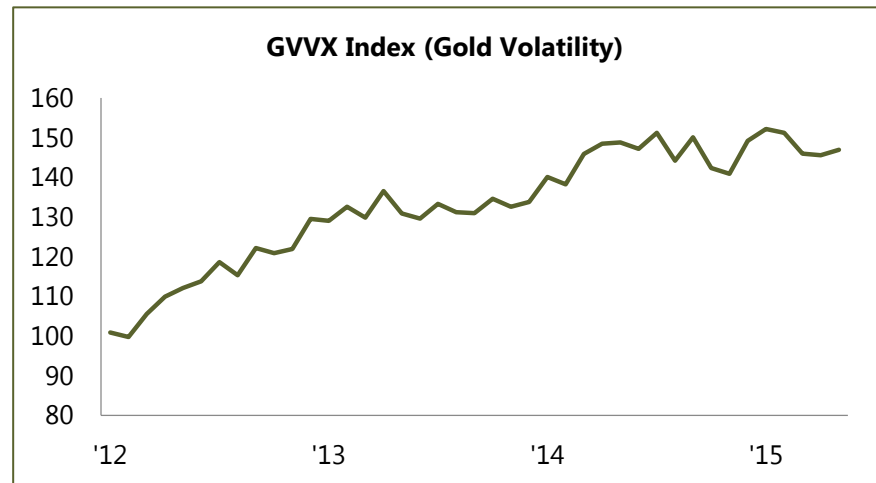
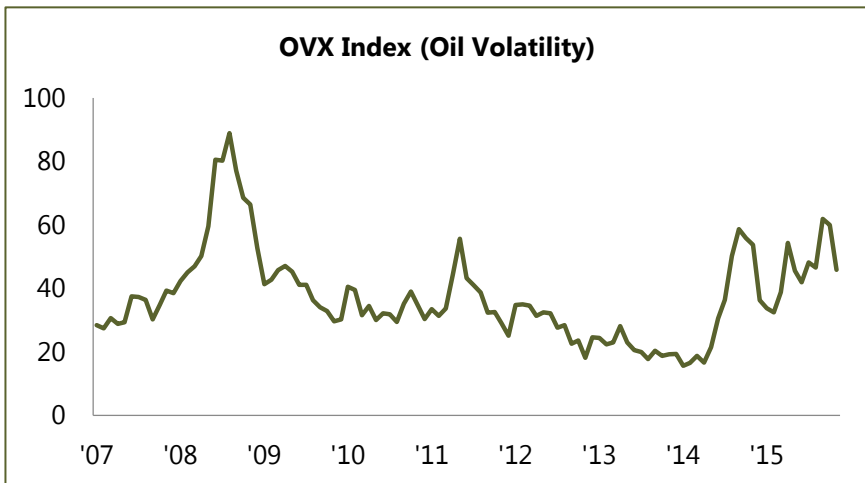
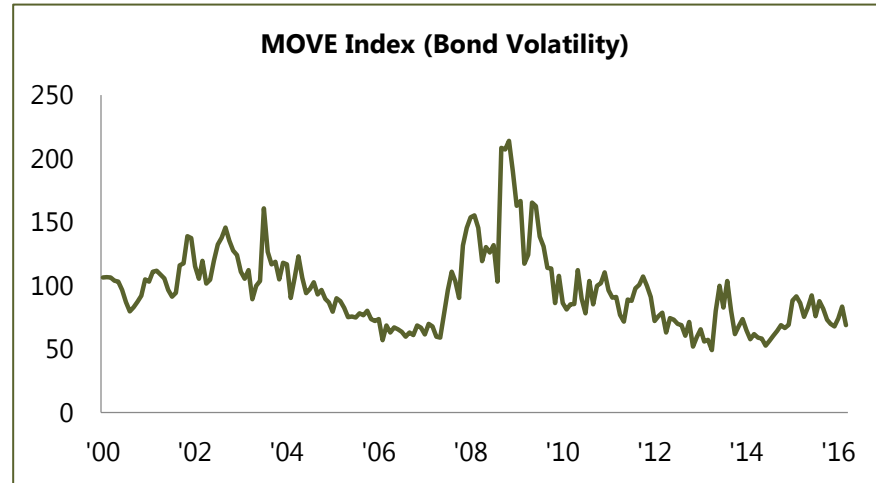
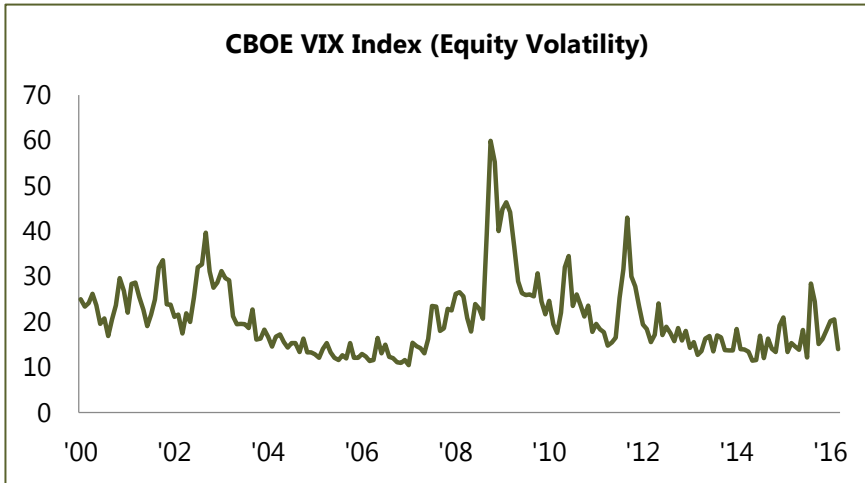
# Equity Margin Debt

Investors unwound their margin positions over the quarter, as global risks and valuations remain heightened. Equity Margin Debt is at its lowest since early 2015.



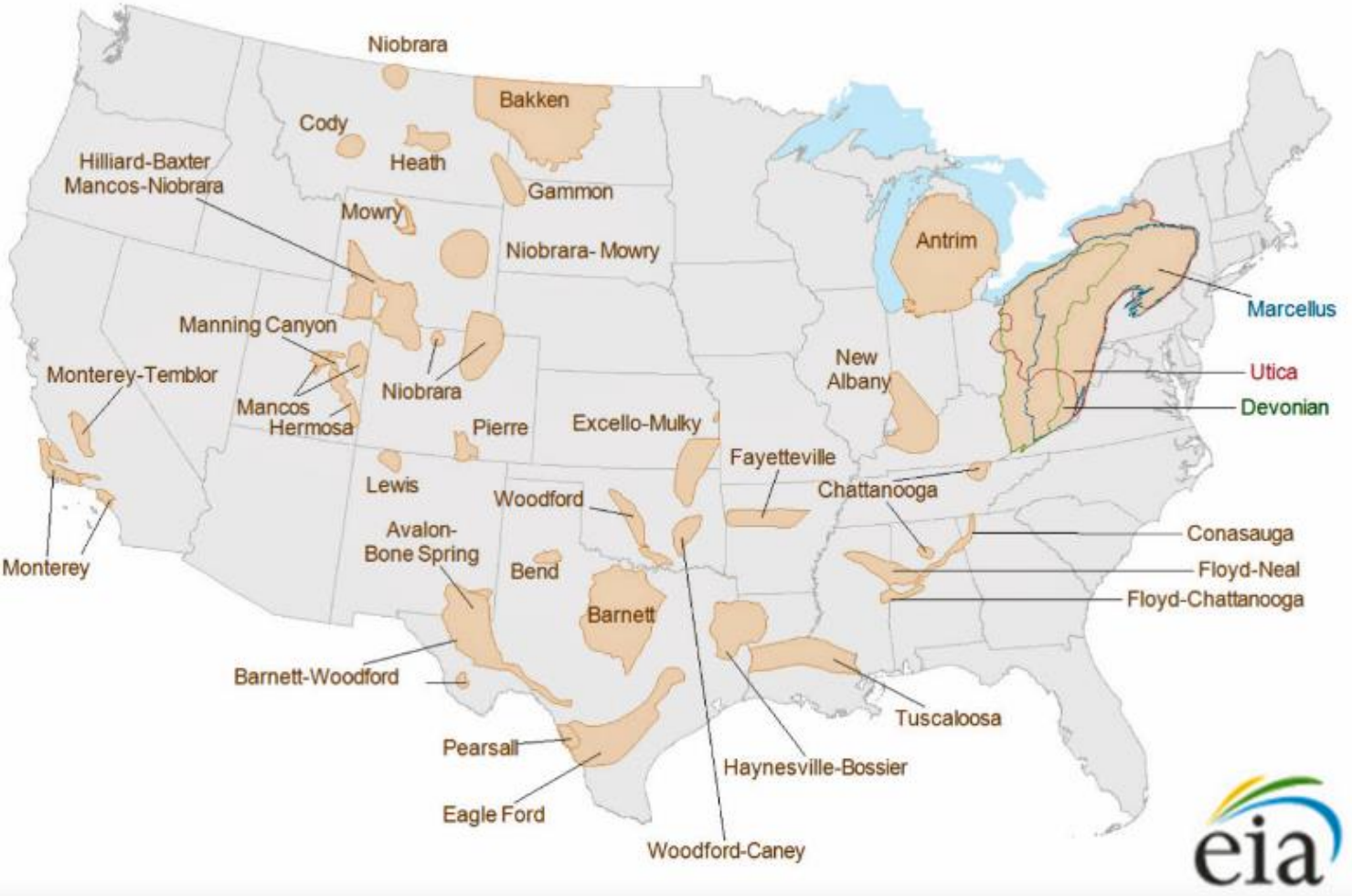
# Volatility Monitor

Volatility remains elevated across asset classes, but have fallen slightly over the last quarter. This trend is expected to continue throughout the rest of 2016.



# Domestic Shale Plays

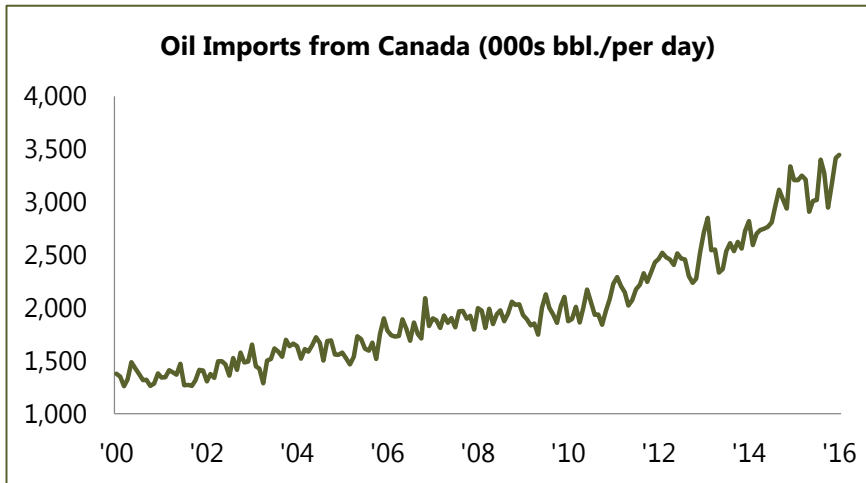
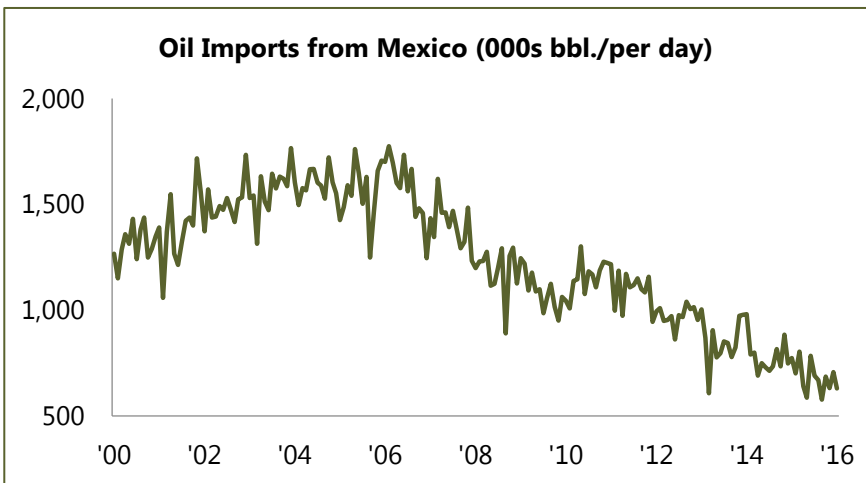
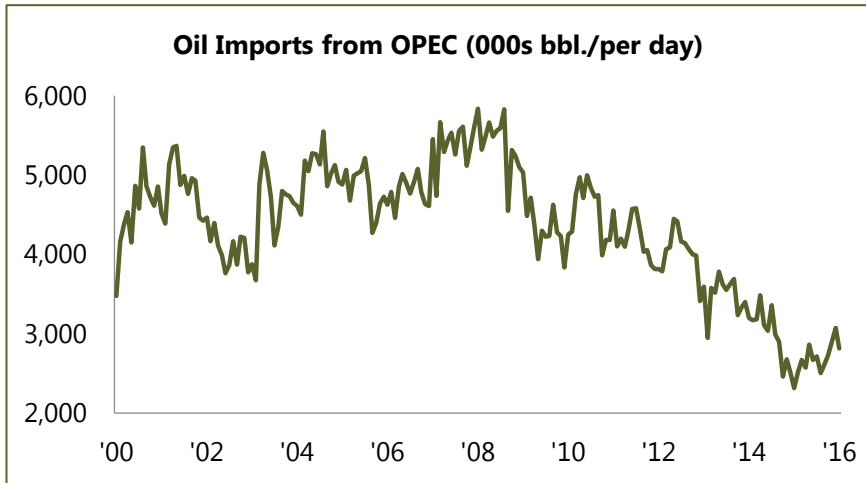
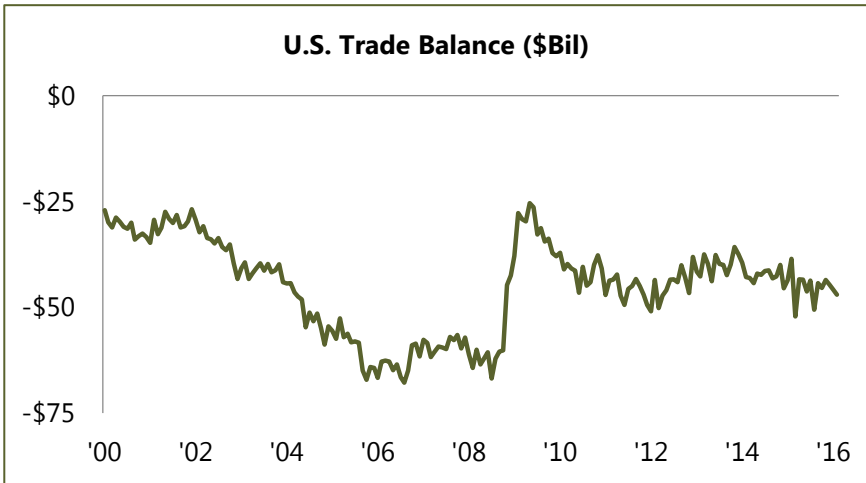
Rigs continued to decline into 2016, as oil prices fell to their lowest levels in over 10 years. U.S. Shale companies continue the trend of decreasing capital spending projects amid bankruptcy concerns.





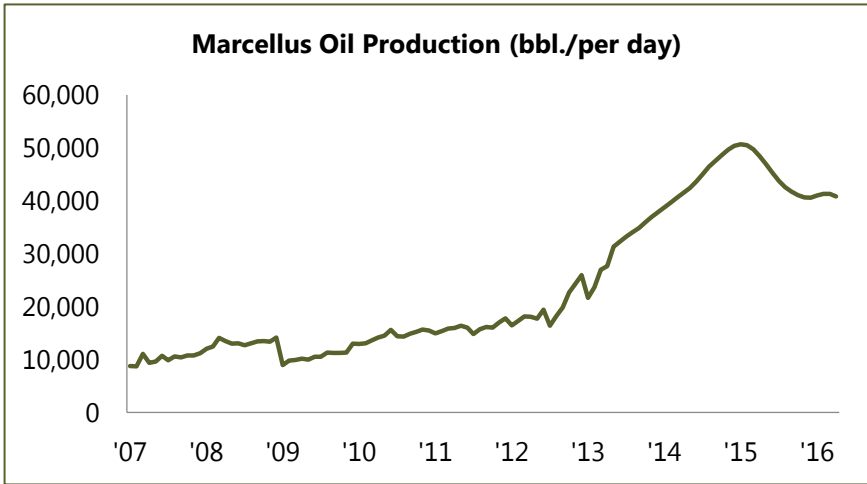
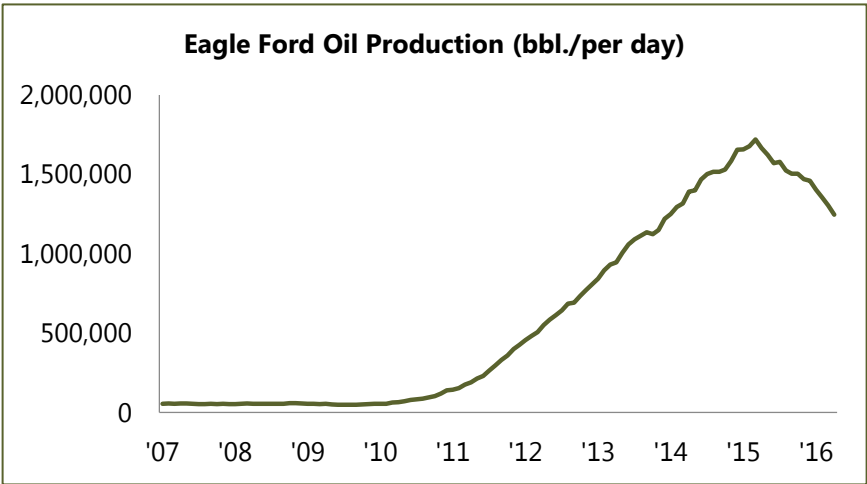
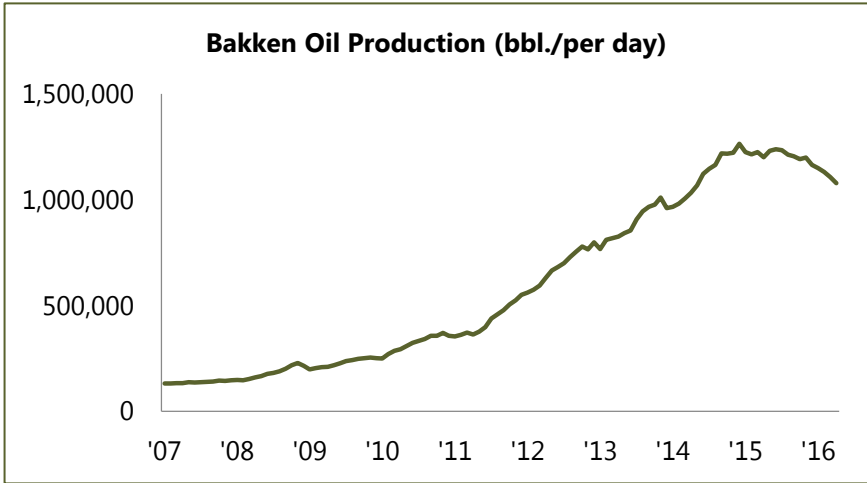
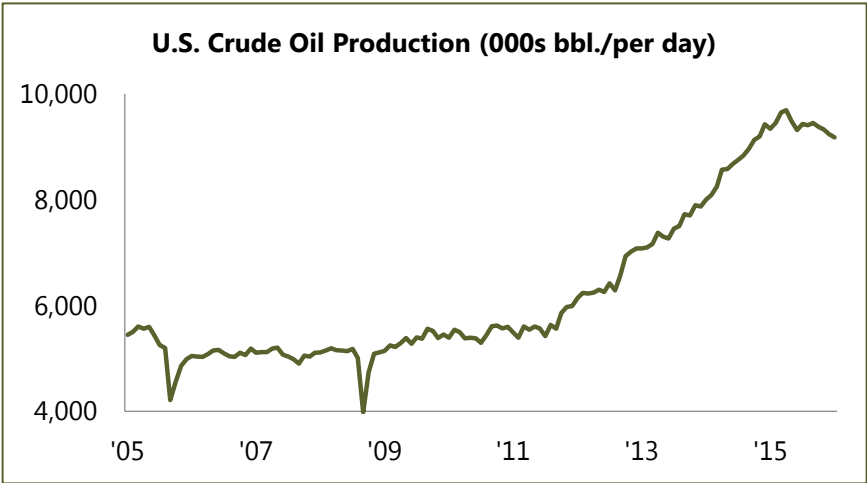
# U.S. Oil Imports & Trade Balance

The U.S. Trade Balance widened from last quarter despite the depreciation of the dollar late in the quarter. Imports of Oil are starting to rise as high-cost producers scale back production while demand for oil persists.



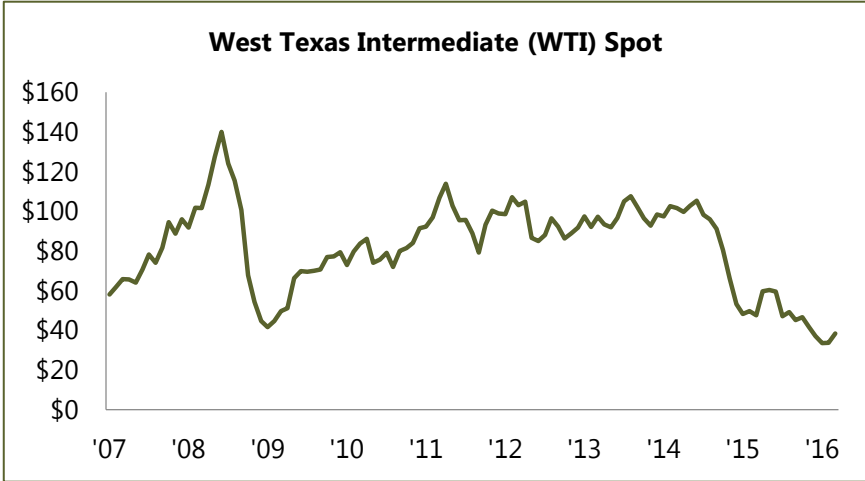
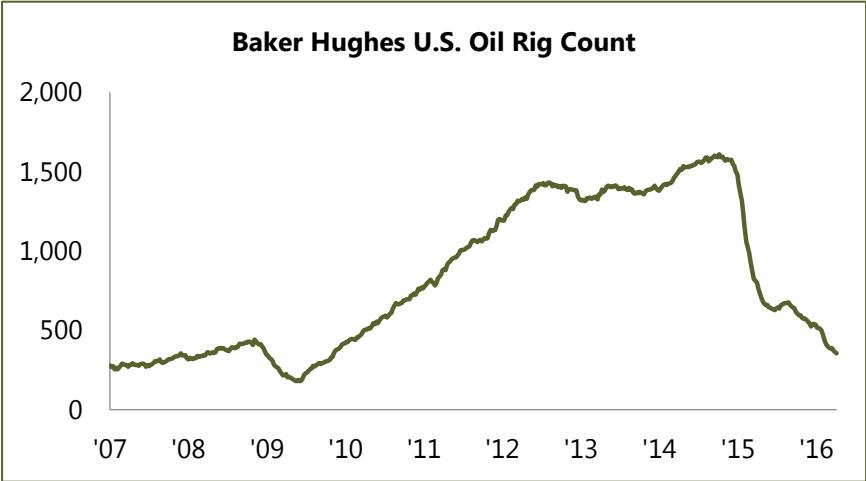
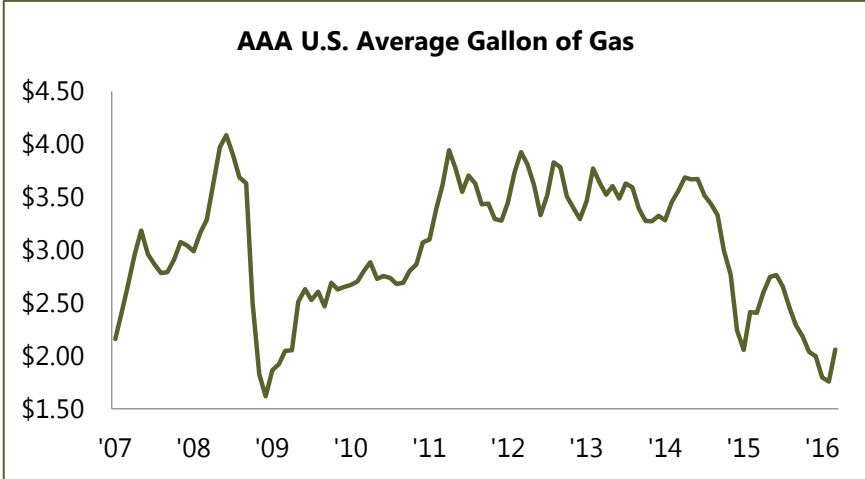
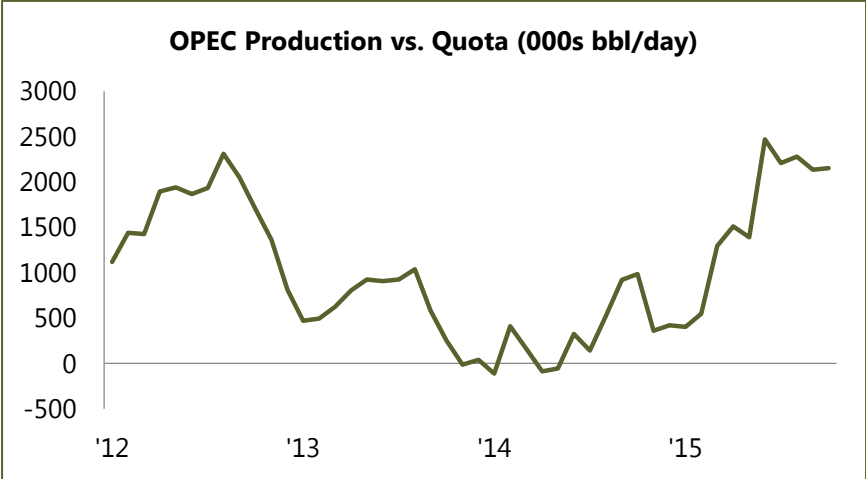
# Domestic Daily Oil Production

U.S. Oil Production has declined over 225,000 barrels per day since October 31<sup>st</sup>, 2015 to January 31<sup>st</sup>, 2016. High-cost producers have scaled back drilling operations over fears of a sustained low-price environment.



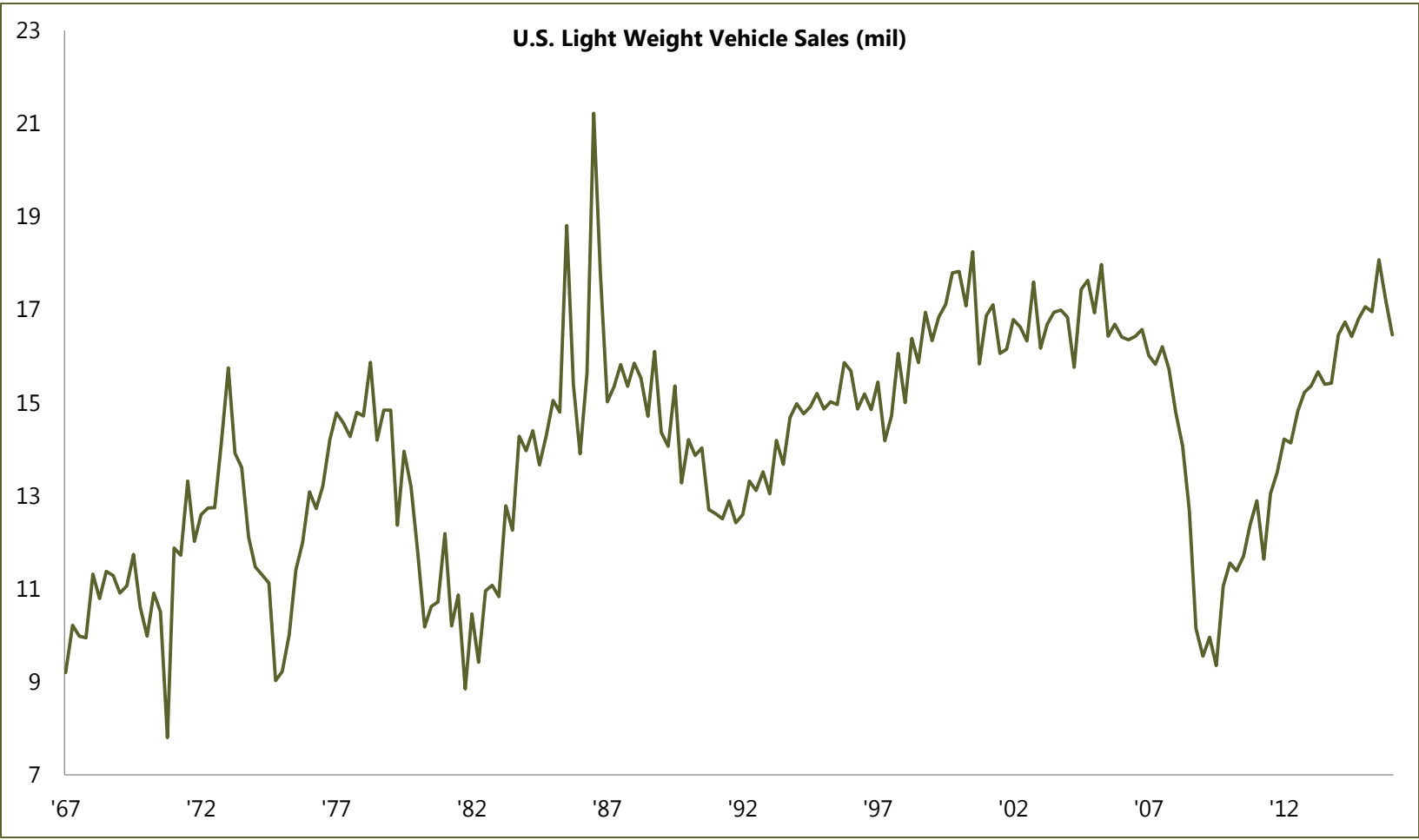
# Oil Prices vs. Rig Counts

Gas prices cautiously ticked upward towards the end of the quarter as oil prices recovered from February 11<sup>th</sup> lows. Many OPEC nations are realizing the limits of maintaining world-wide market share of oil, with oil-nationalized countries unable to fulfill government budget spending requirements at such depressed prices.



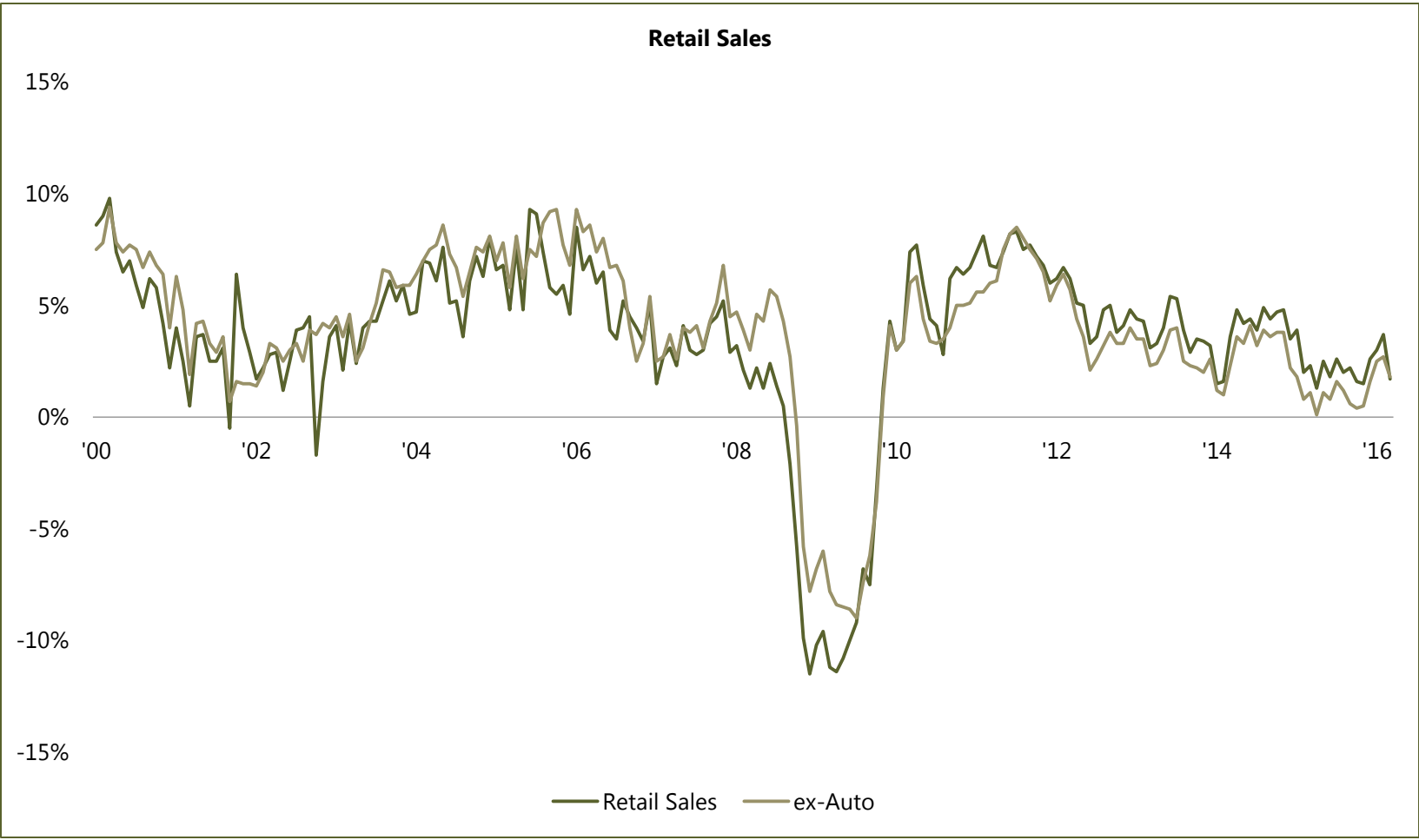
# Auto Sales

Auto Sales have declined over the last quarter, although expectations are for sales to remain elevated in 2016.



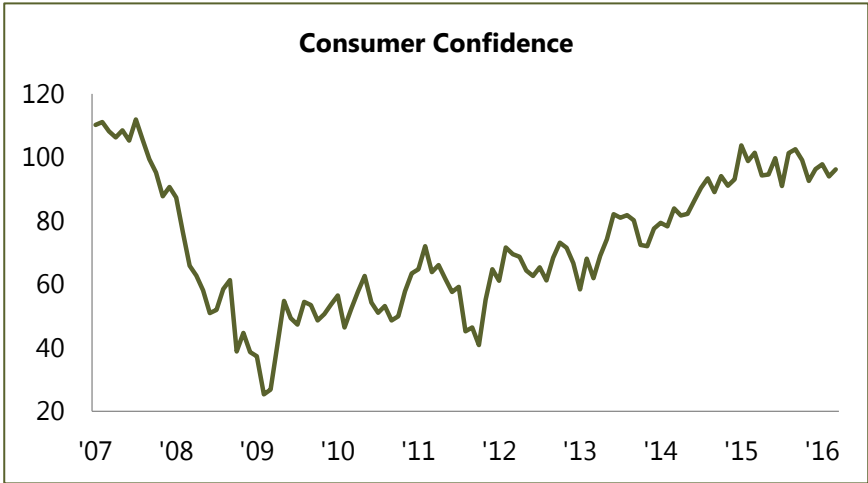
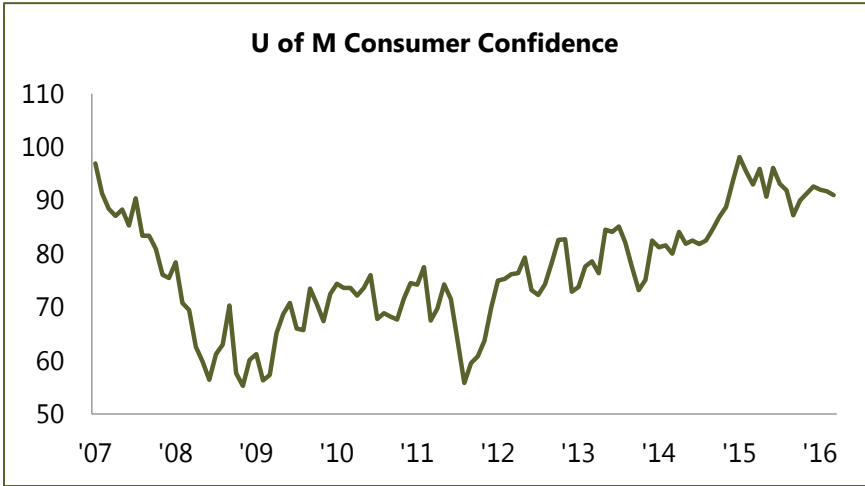
# Retail Sales

Retail Sales growth remains sluggish, despite lower gasoline costs, which at this point doesn't appear to be buoying spending.



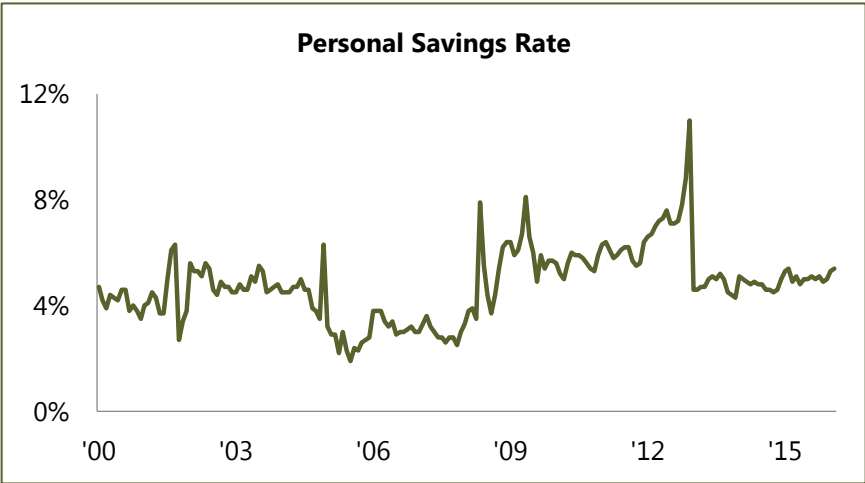
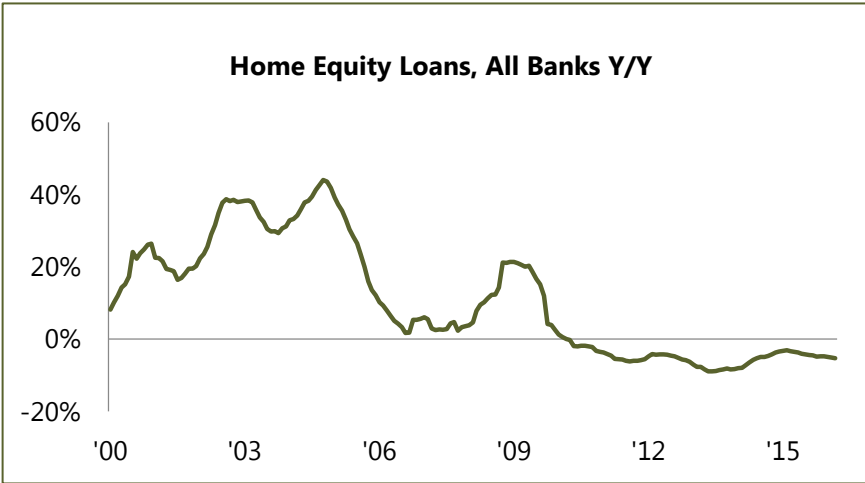
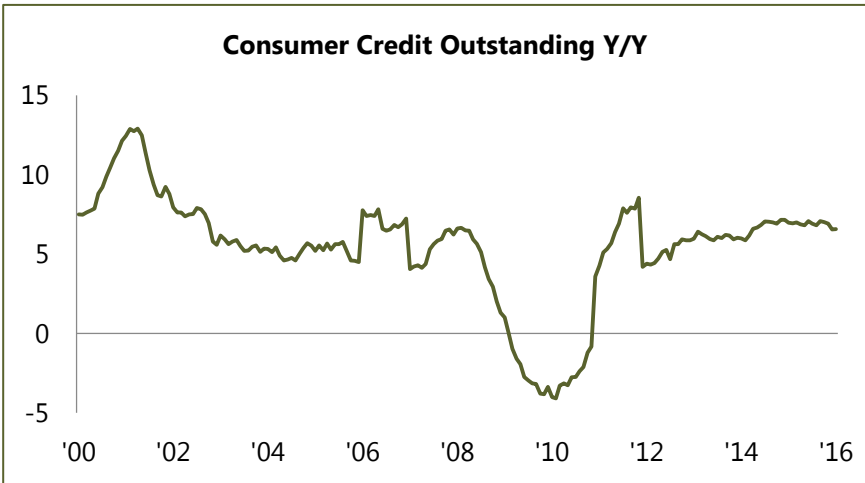
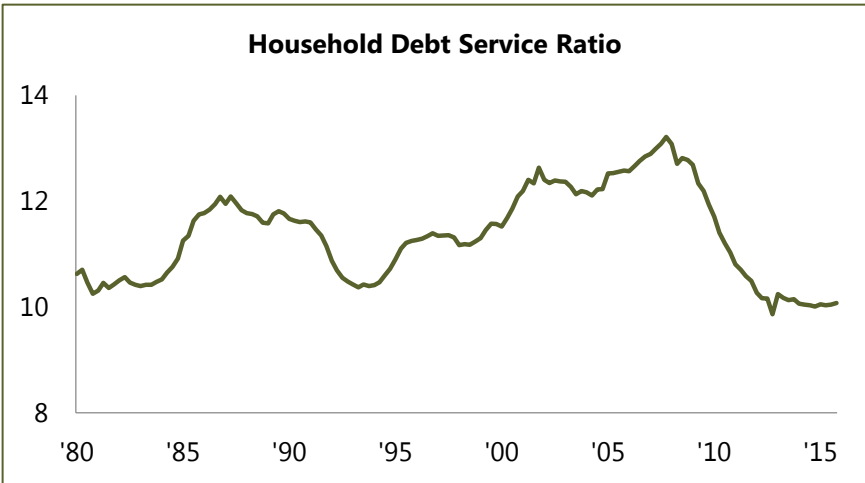
# Measures of Confidence

Confidence Surveys continue to post mixed results, with Consumer Confidence and U of M Confidence relatively flat, and both CEO Confidence and Small Business Optimism falling.



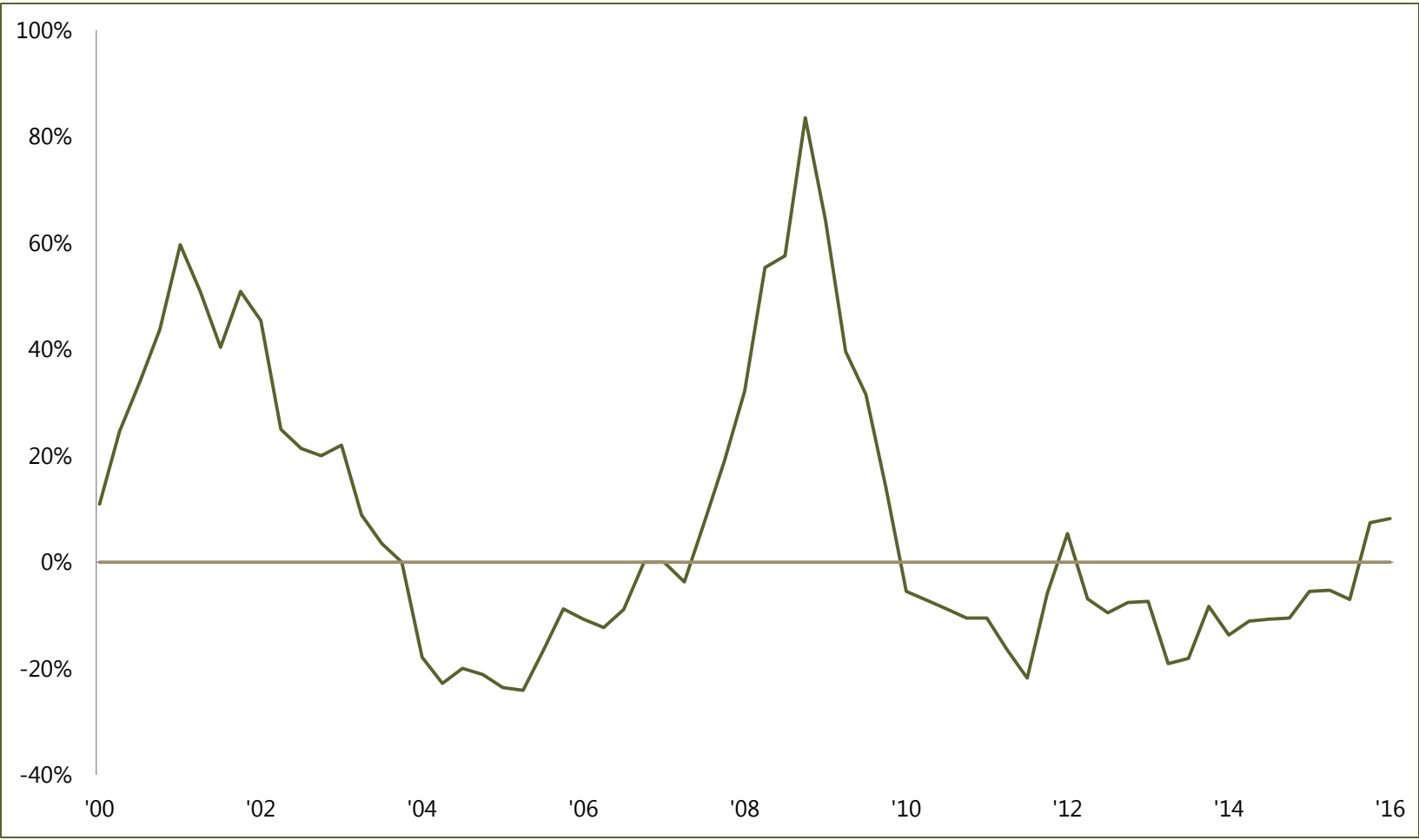
# Consumer's Balance Sheets

Consumers continue to de-lever and increase personal savings rates, using savings from lower gas prices to shore up personal finances. Home Equity loans continue to fall, resuming the trend that has been held since shortly after the last recession.



# Lending Standards Have Tightened

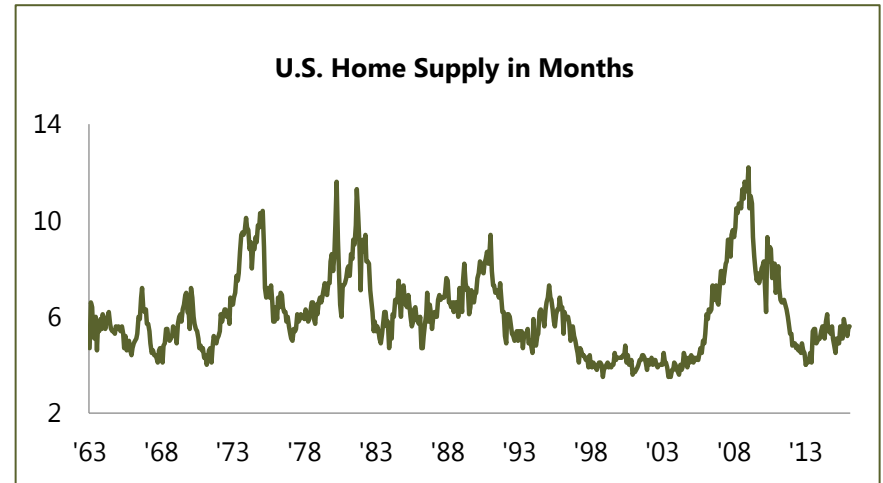
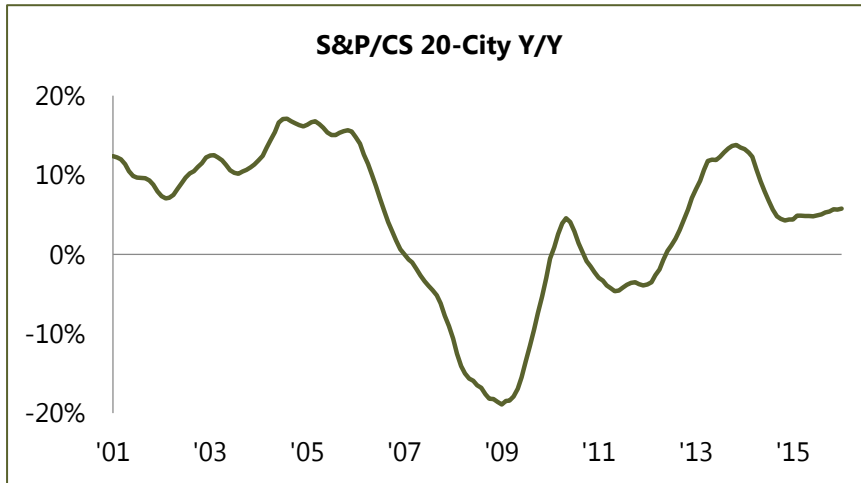
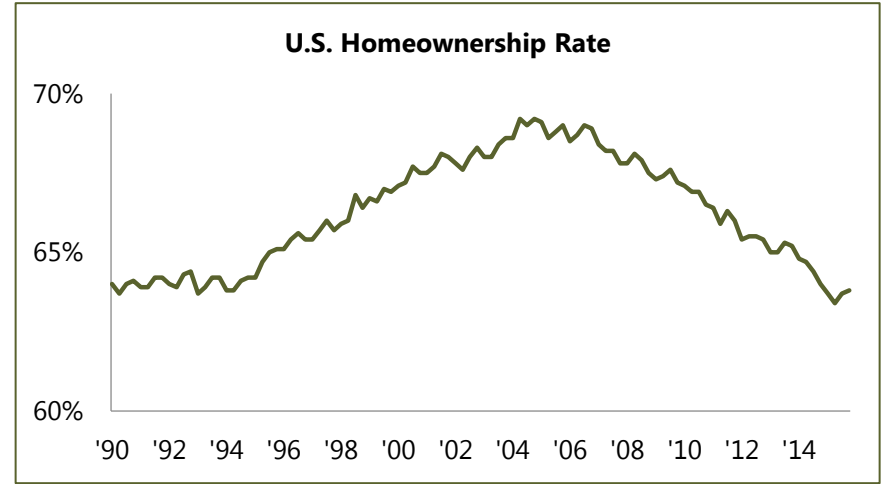
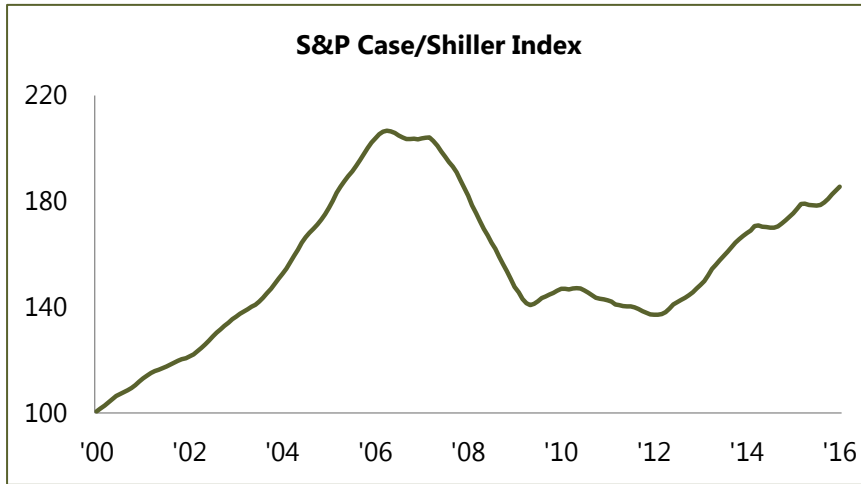
Net % of Domestic Respondents Tightening Standards: C&I Loans for Large/Medium Enterprises





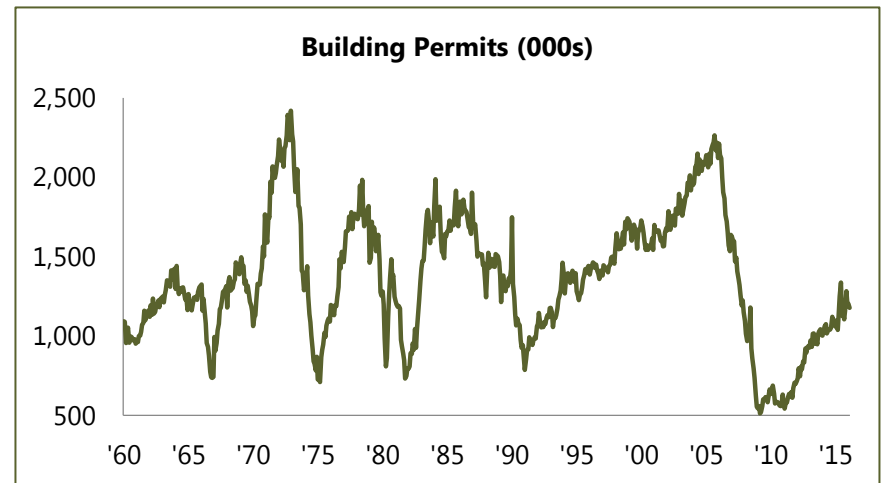
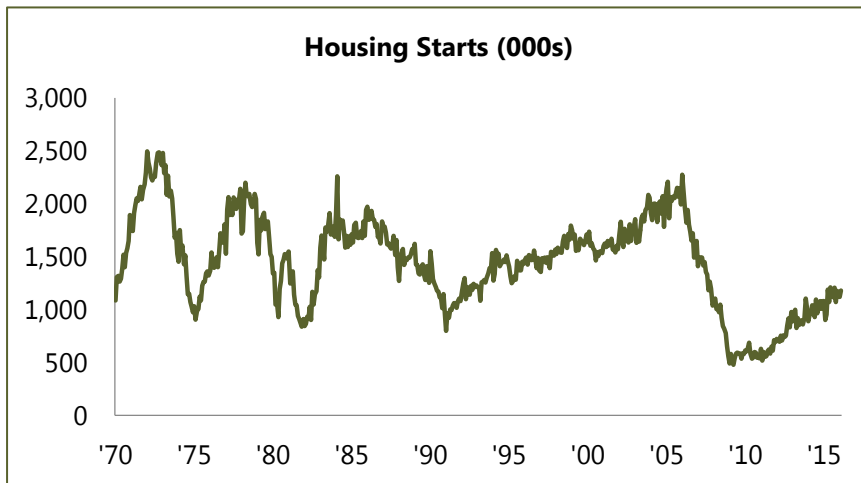
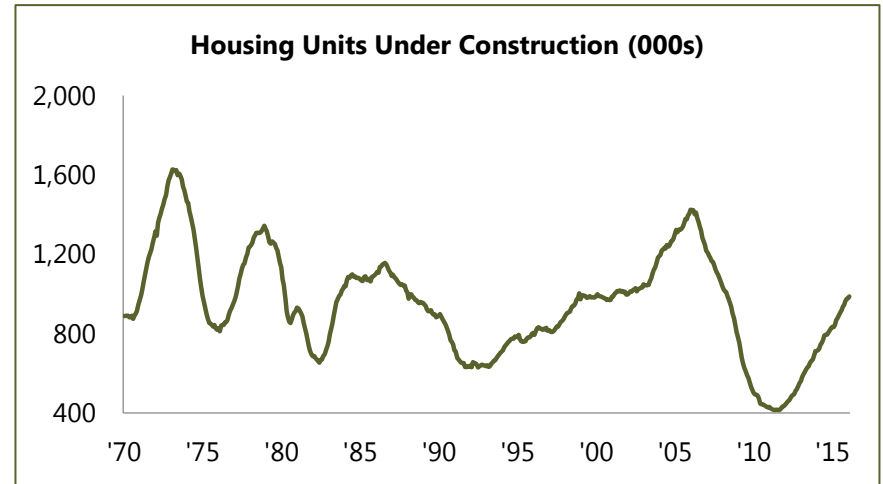
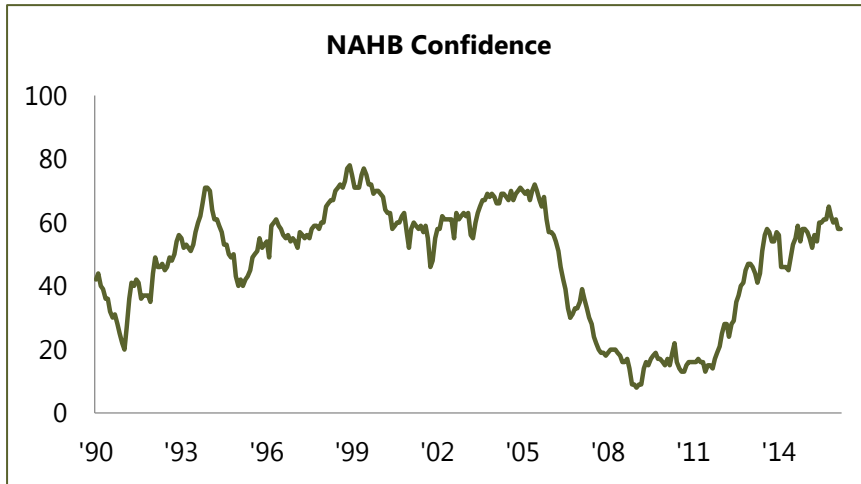
# Housing

As consumers continue to move from rural to urban areas, housing prices in cities continue to climb. The U.S. Homeownership Rate slightly increased, while housing supply remain below average.



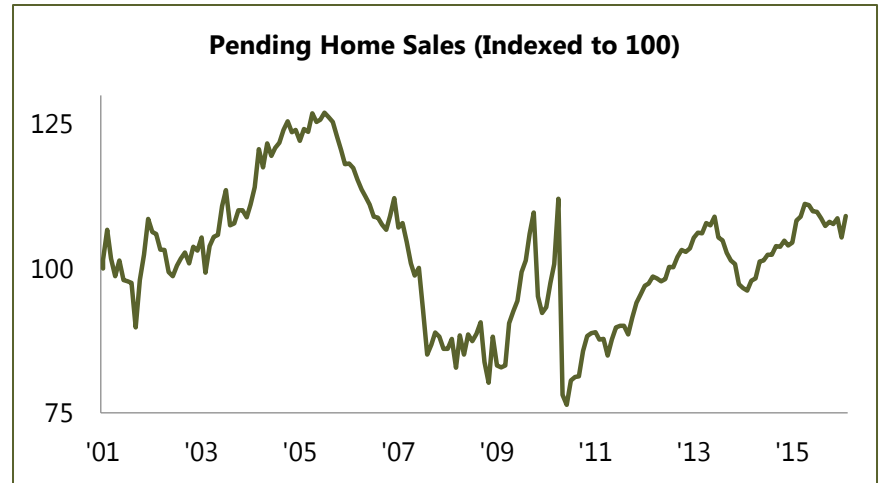
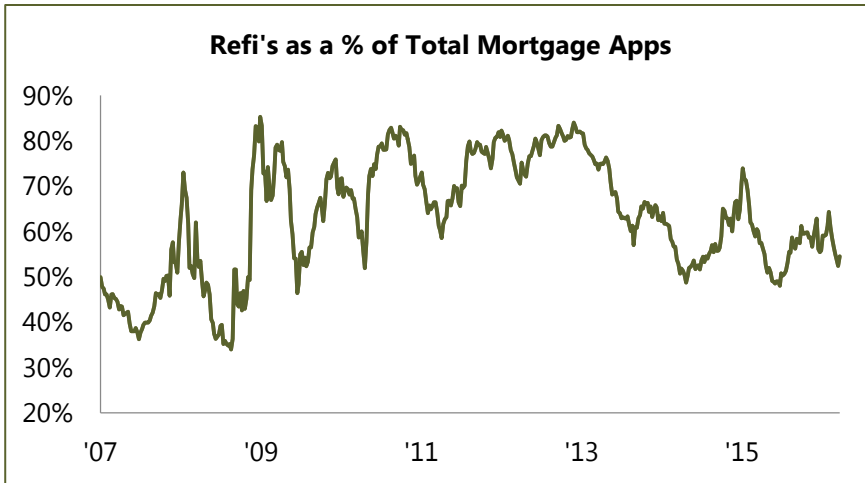
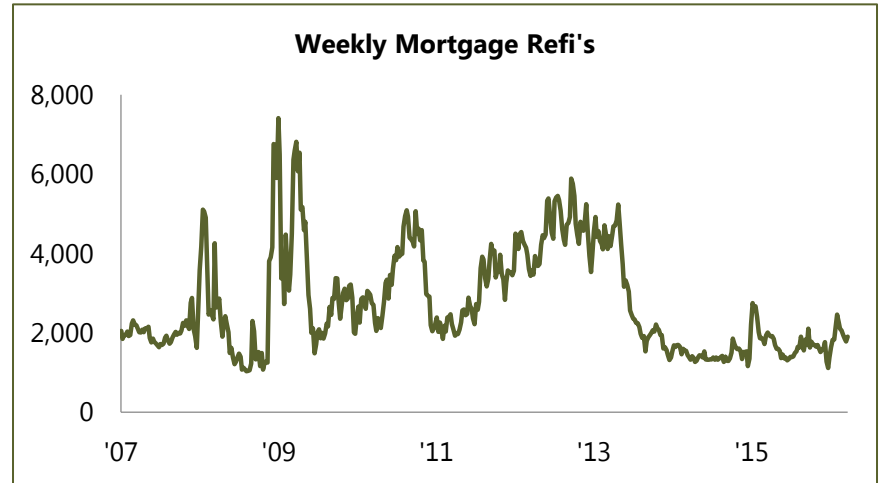
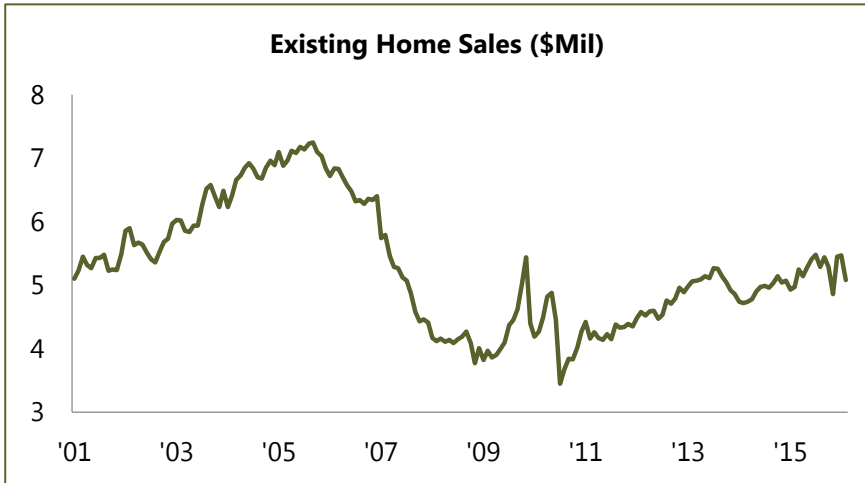
# Housing

Homebuilder Confidence has fallen over the quarter, regardless of increases in housing units under construction, starts, and building permits.



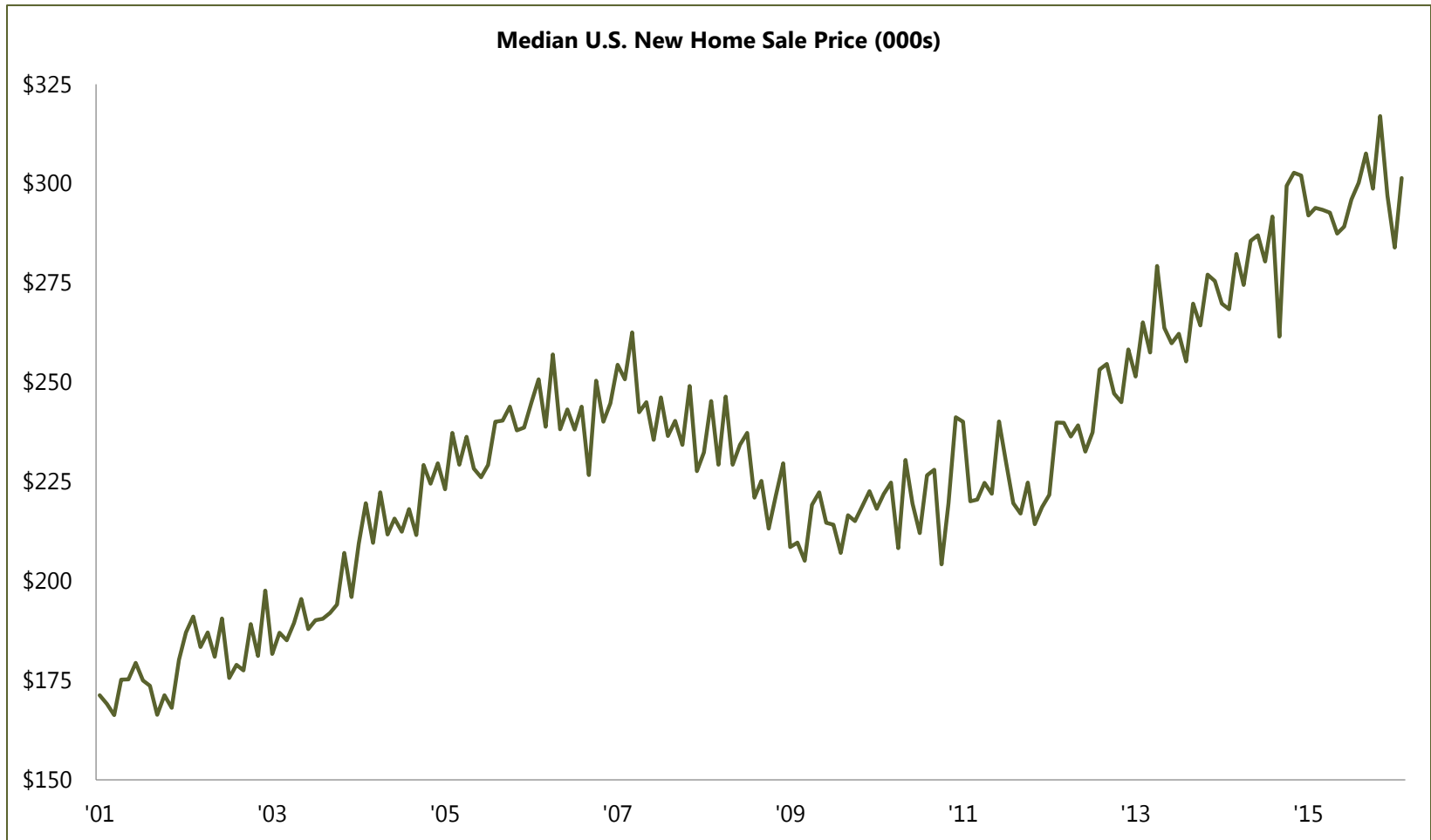
# Housing

Although the FOMC raised rates in the 4<sup>th</sup> Quarter of 2015, the prospect for a “lower for longer” interest rate environment has dwindled the urgency for homeowners to refinance their homes. The 30 year national mortgage rate average, according to bankrate.com, has fallen 25 bps to 3.65%.



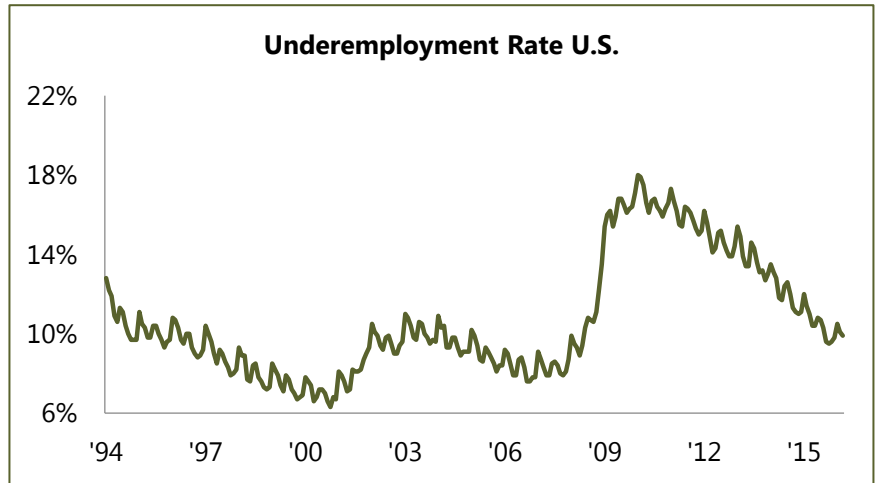
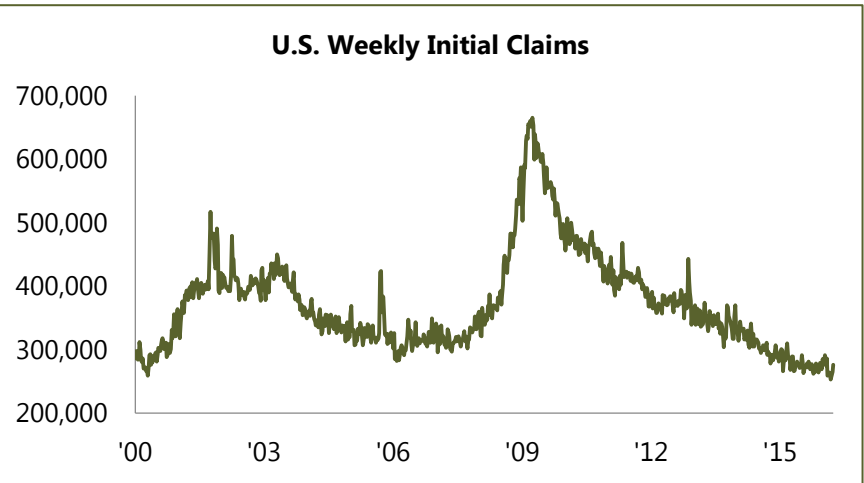
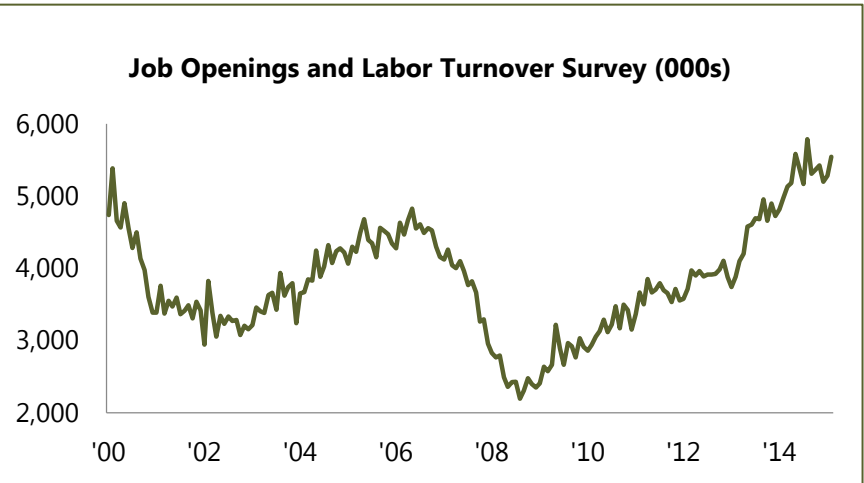
# Housing

Home prices have fallen off their November 2015's highs, but the trend of rising home prices still continues. Prices should generally rise as demand outpaces supply.



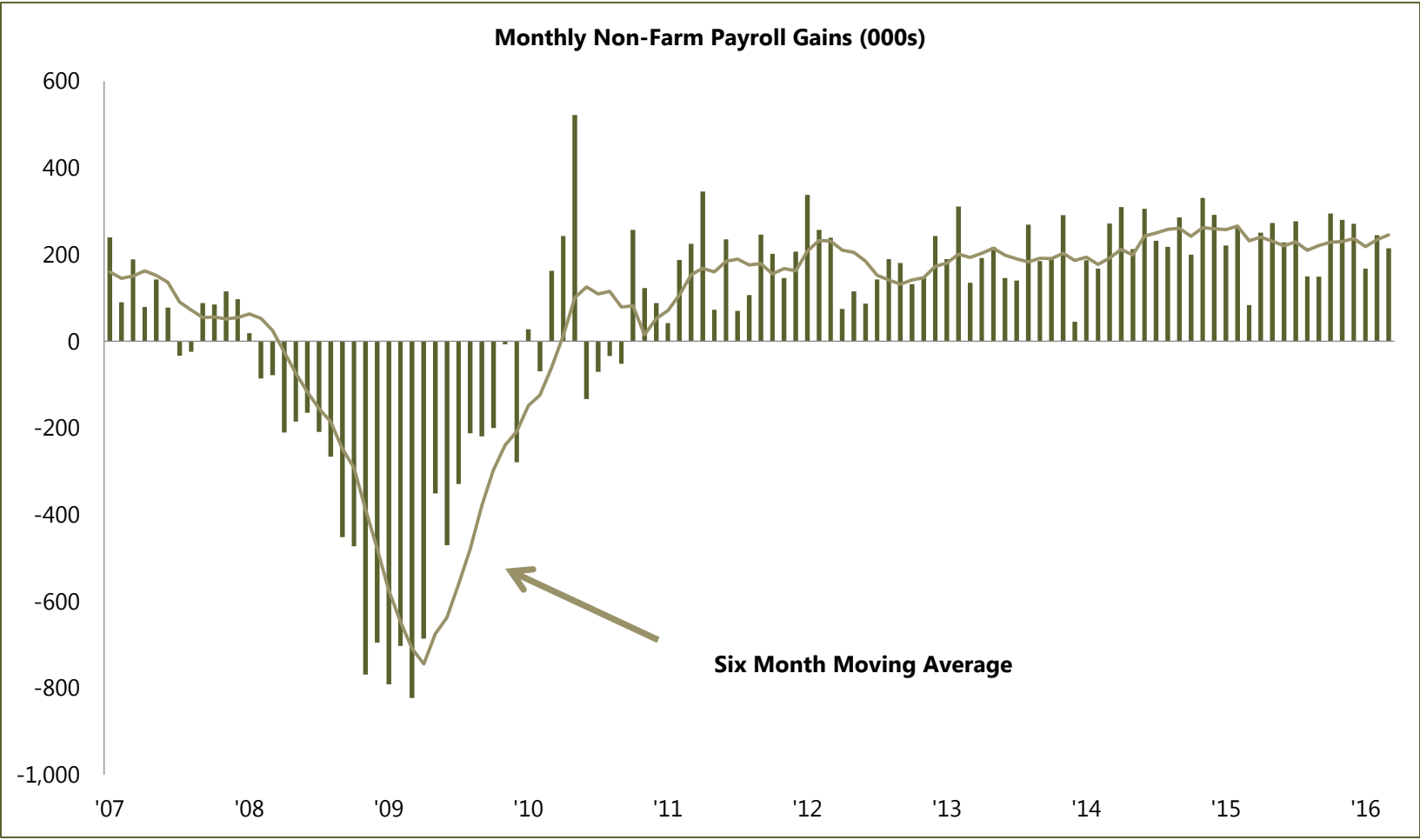
# Labor Market Conditions

Unemployment, Job Openings and Labor Turnover Survey (JOLTS), and weekly Initial Claims all point to a healing labor market. The Unemployment Rate is at its lowest level since the second quarter of 2008.



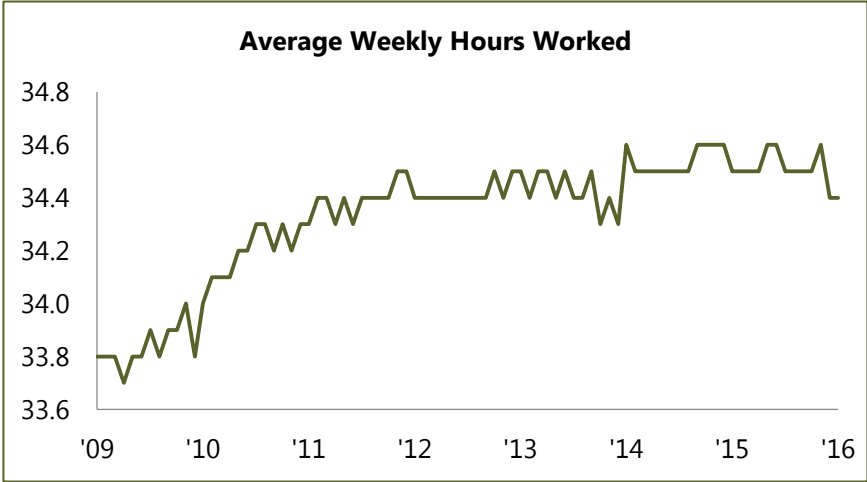
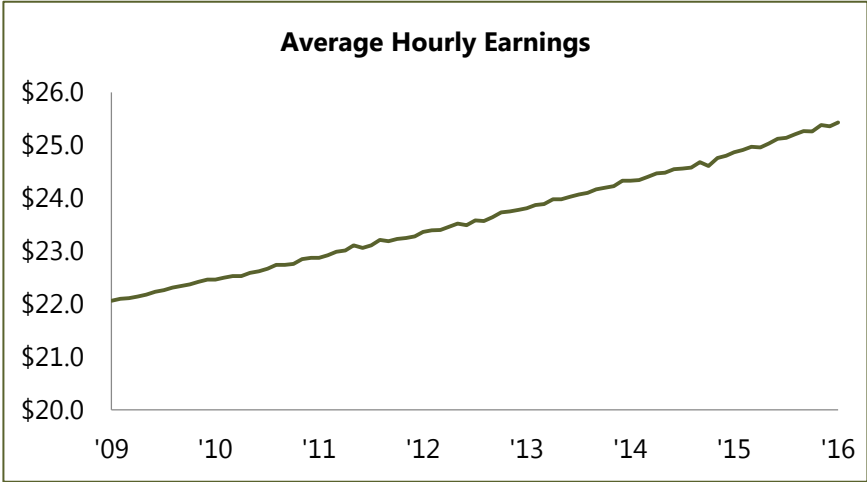
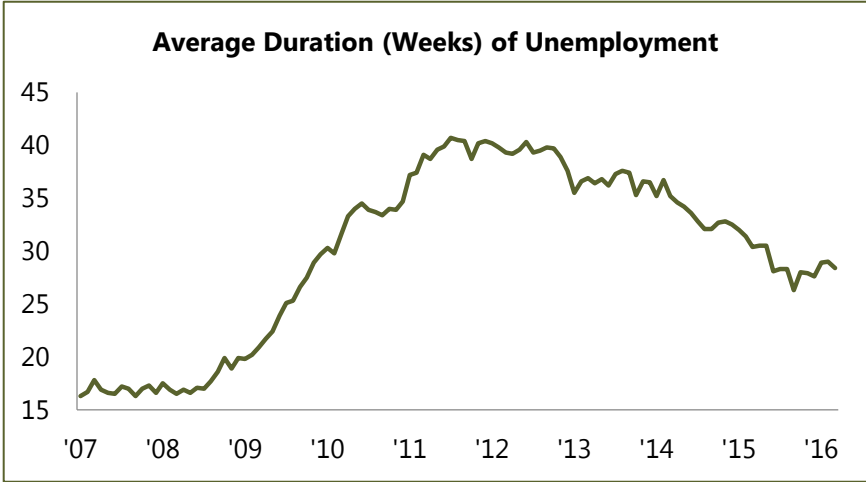
# Labor Market Conditions

Additions to non-farm payrolls have slowed over the past quarter as the economy moves towards full employment. The 6 month moving average has increased from 219K on January 1<sup>st</sup> to 245K on March 1<sup>st</sup>.



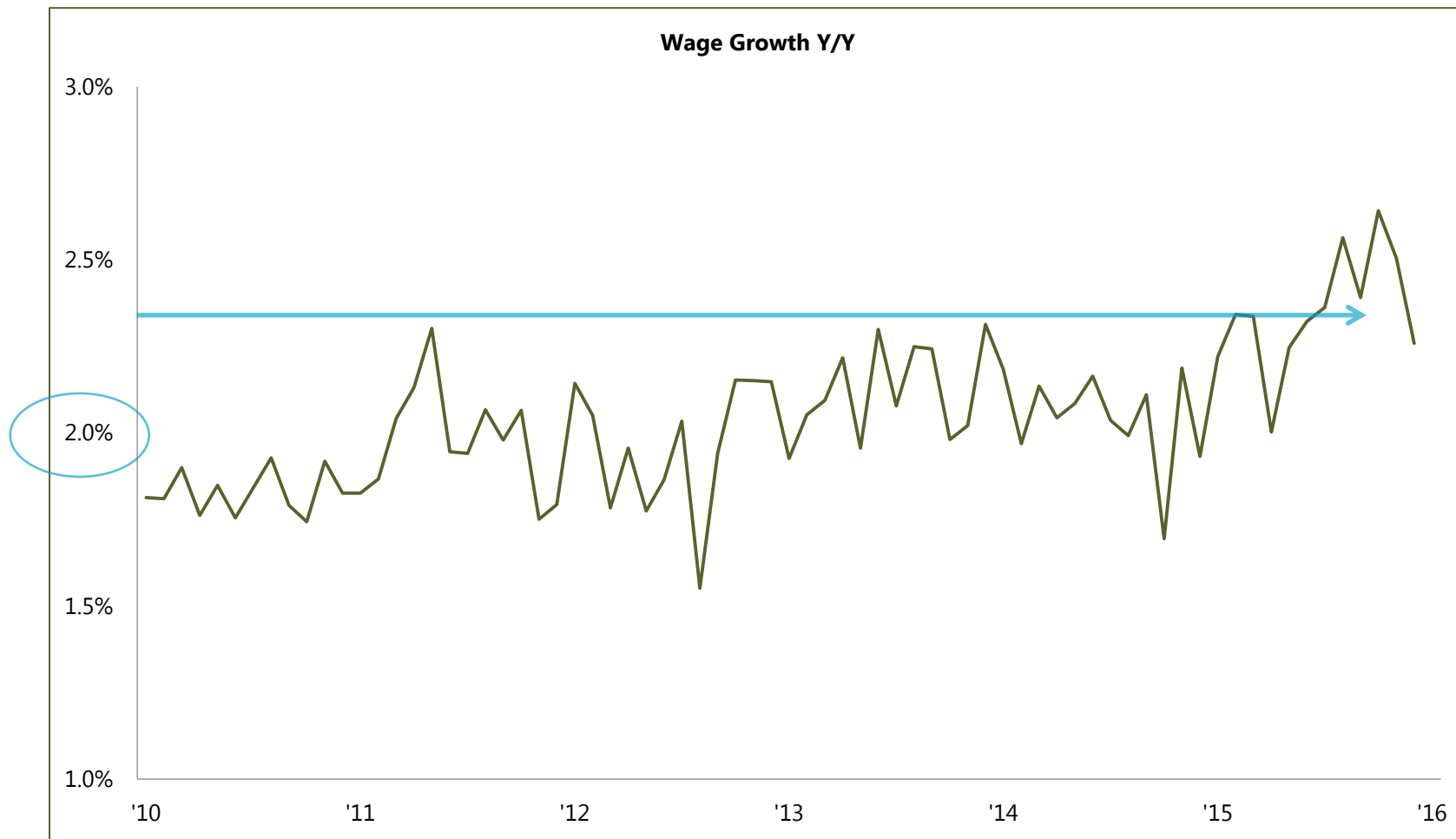
# Labor Market Conditions

Labor market metrics continue to point to an improving employment picture in the U.S., as investors await a pick up in wage growth to signal tightness in the labor market.



# Labor Market Conditions

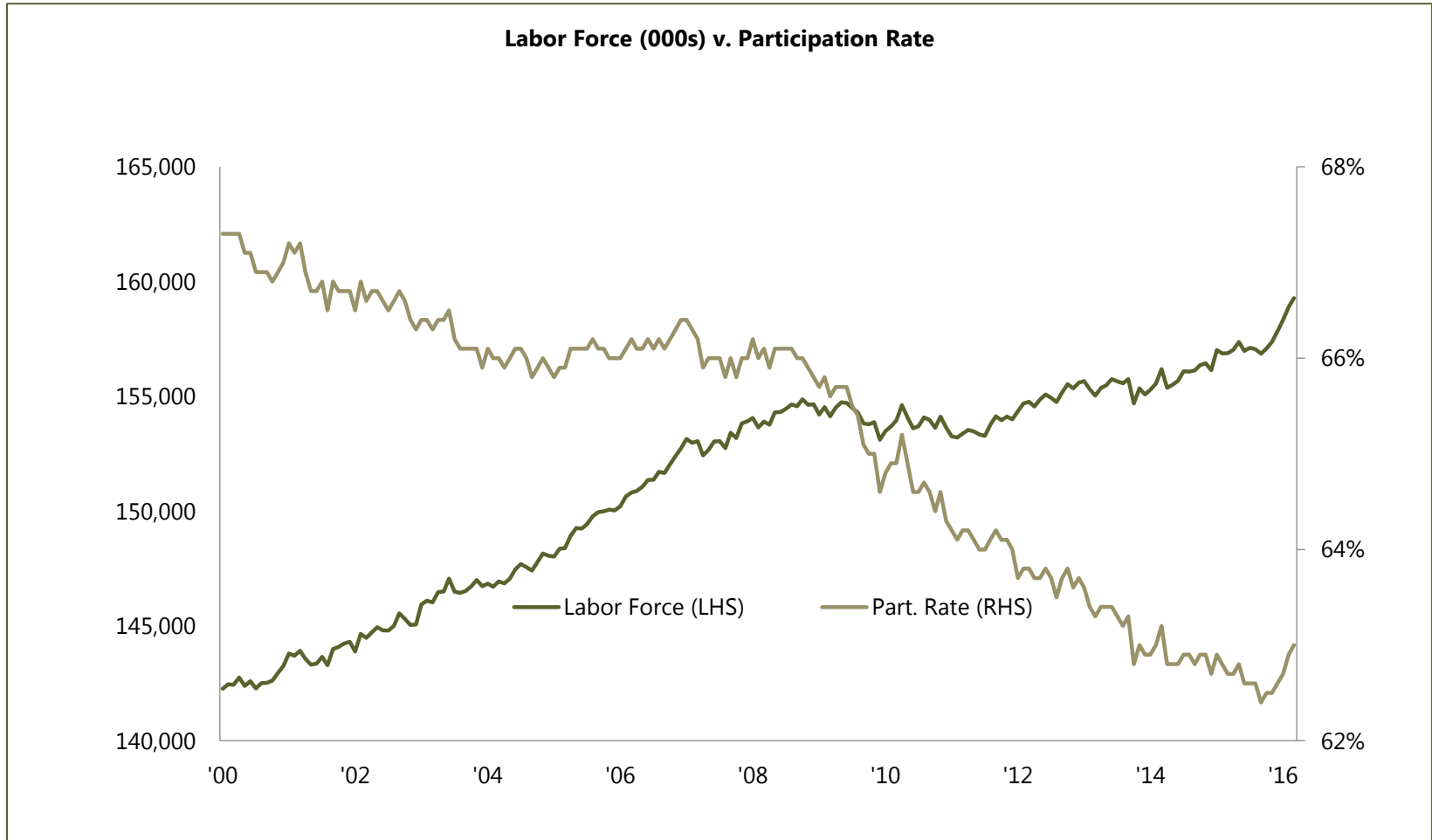
Although Labor Market Conditions do point towards a full-employment environment, wage growth has slowed over the last quarter. There is still a large disparity between the current wage growth and the 3-4% Y/Y wage growth experienced pre-financial crisis.





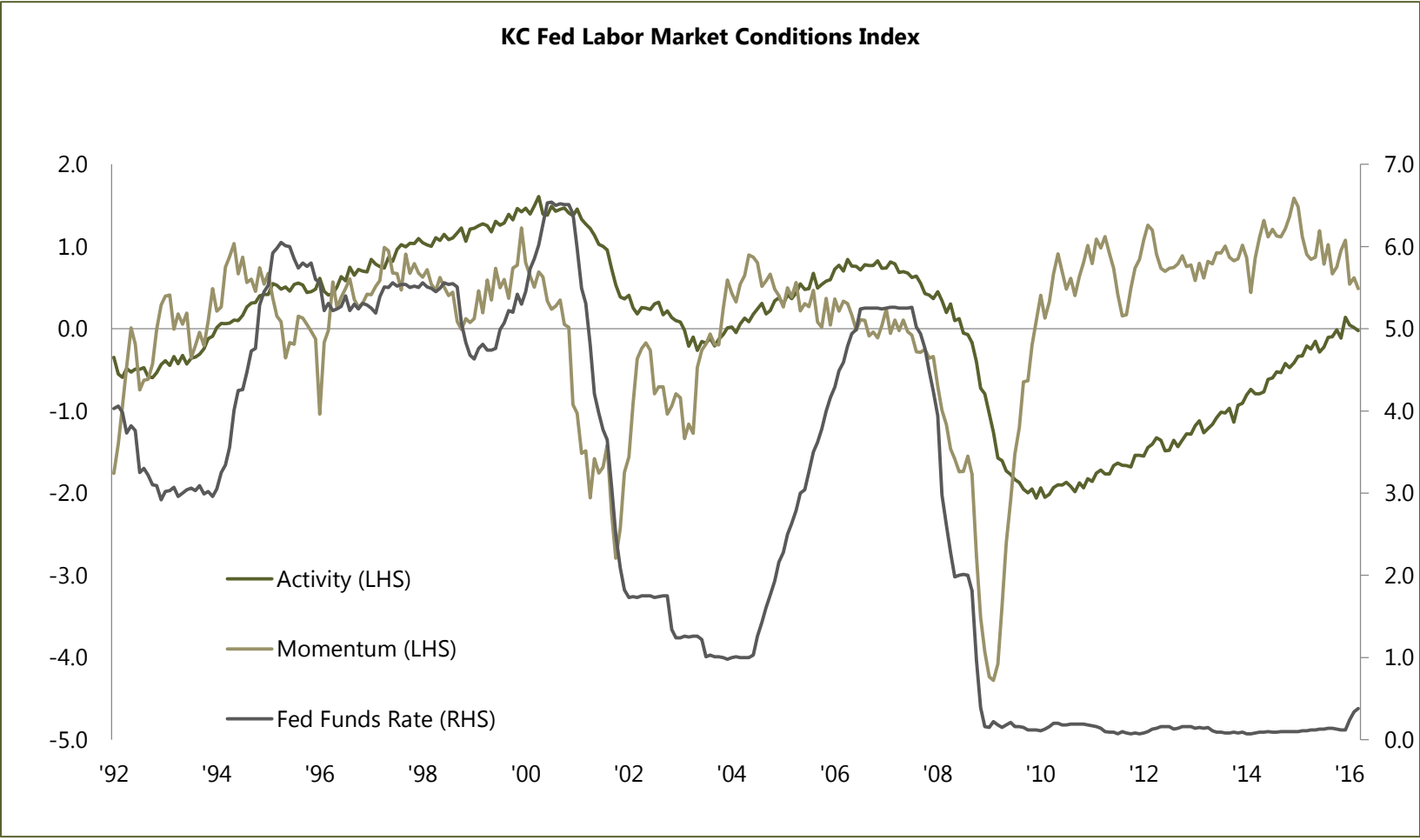
# Labor Market Conditions

Both the Labor Force Size and the Labor Force Participation Rate rose over the past quarter, bolstering the argument for strong labor market conditions.



# Kansas City Fed Labor Market Conditions Index

Both labor market activity and momentum fell over the last quarter as the U.S. Labor Force strides towards full employment. However, both indices are trending towards their long-term averages.



# State Minimum Wage Laws

The following chart summarizes the impending changes in minimum wage laws, as calls for \$12 and \$15 minimums intensify.



# Fed Funds Futures - Lower For Longer

Although the FOMC raised rates in December, global economic concerns and volatile financial markets caused the Fed to revise down their “Dots,” which now indicate the expectation of 1-2 rate hikes in 2014, down from 4 in December. The market continues to price in a “lower-for-longer” interest rate environment.

	Probability of Hike	Probability of Cut	0-0.25	0.25-0.5	0.5-0.75	0.75-1	1-1.25	1.25-1.5	1.5-1.75
4/27/2016	0.0%	2.0%	2.0%	98.0%	--	--	--	--	--
6/15/2016	17.6%	1.6%	1.6%	80.7%	17.6%	--	--	--	--
7/27/2016	28.9%	1.4%	1.4%	69.6%	26.5%	2.5%	--	--	--
9/21/2016	38.7%	1.2%	1.2%	60.1%	32.5%	5.8%	0.3%	--	--
11/2/2016	42.6%	1.1%	1.1%	56.3%	34.3%	7.5%	0.7%	--	--
12/14/2016	52.4%	0.9%	0.9%	46.6%	38.2%	12.2%	1.9%	0.1%	--
2/1/2017	55.3%	0.9%	0.9%	43.8%	38.7%	13.9%	2.5%	0.3%	--

Source: Bloomberg, as of 4/12/2016

# GDP Forecasts

GDP forecasts have been revised downward for the U.S., Eurozone, China, while Emerging Markets have been revised slightly upward. Geopolitical and economic risks throughout the world exacerbate economists' pessimistic views of future GDP growth.

USA	2015	2016	2017	2018
IMF	2.4%	2.4%	2.5%	2.4%
FED	2.4%	2.2%	2.1%	2.0%
OECD	2.4%	2.0%	2.2%	-
WOB	2.4%	2.8%	2.4%	2.2%
EC	2.4%	2.7%	2.6%	-

Eurozone	2015	2016	2017	2018
ECB	1.6%	1.4%	1.7%	1.8%
EC	1.6%	1.7%	1.9%	-
OECD	1.6%	1.4%	1.7%	-
IMF	1.6%	1.5%	1.6%	1.6%

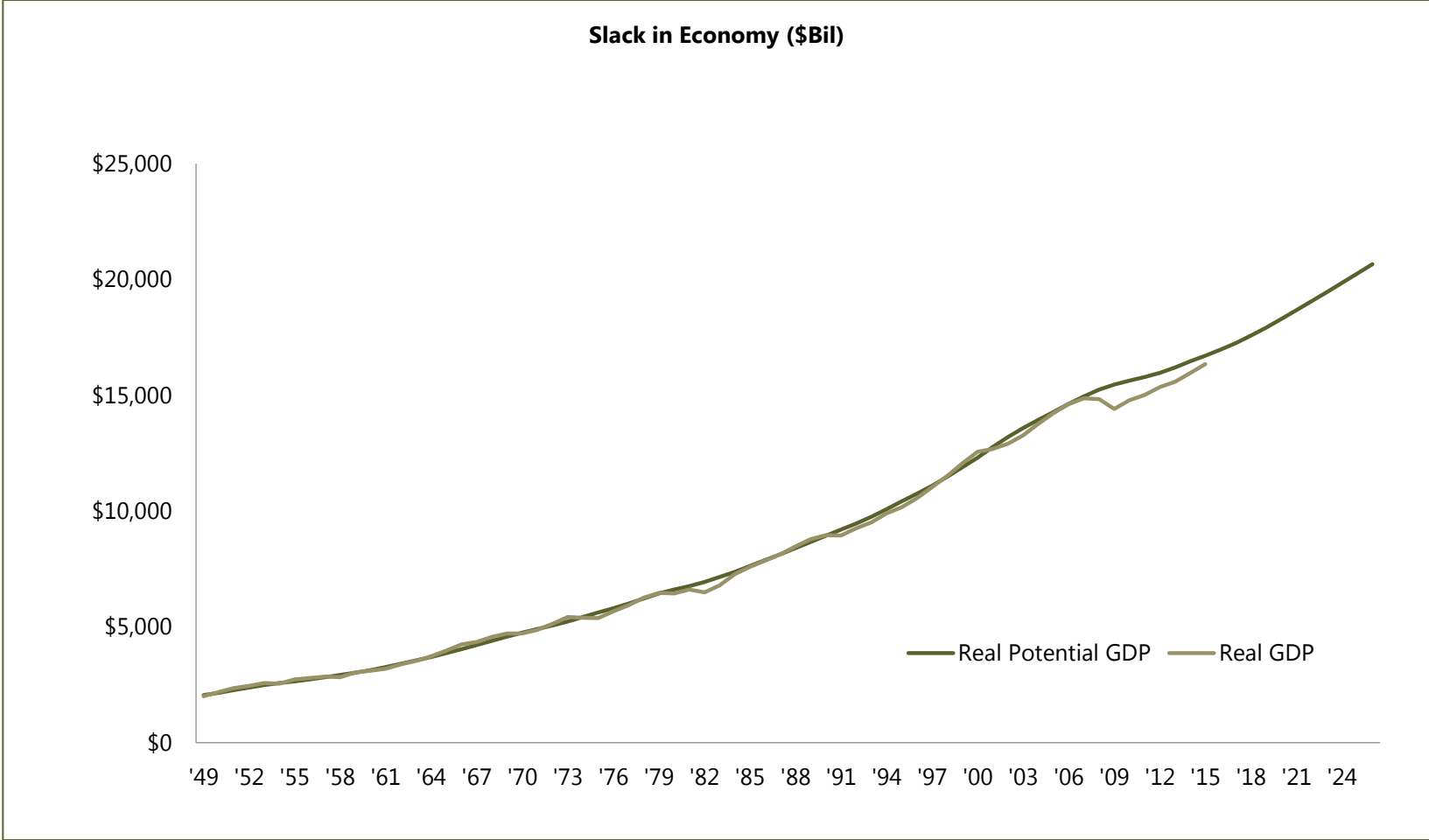
China	2015	2016	2017	2018
NPC	6.9%	-	-	-
ADB	6.9%	6.5%	6.3%	-
OECD	6.9%	6.5%	6.2%	-
IMF	6.9%	6.5%	6.2%	6.1%
WOB	6.9%	6.7%	6.5%	6.5%

Emerg Mkts	2015	2016	2017	2018
CC	4.4%	4.3%	4.9%	5.4%
BRIC	2015	2016	2017	2018
CC	4.9%	5.1%	5.6%	5.7%

Source: Bloomberg, as of 4/12/2016

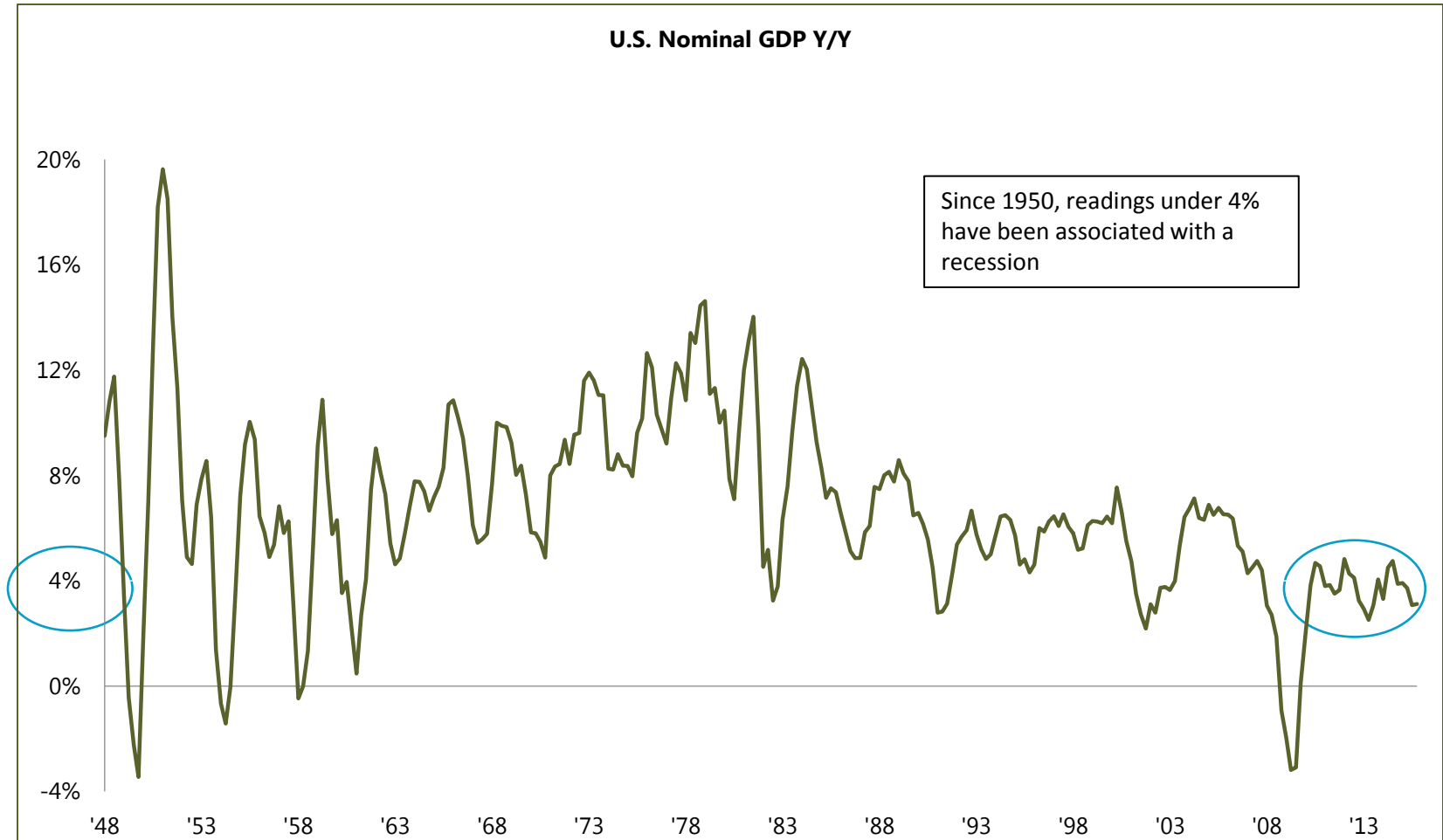
# Slack in Economy?

The perceived “slack” in the economy has substantially contracted over the past few years, falling from around \$1 Trillion in 2009 to only \$366 Billion in 2015. The FOMC will continue to use this indicator for possible interest rate hikes.



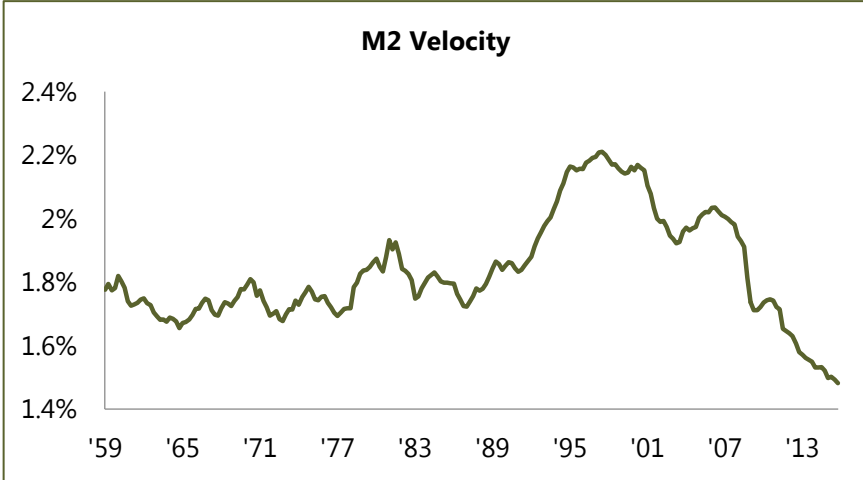
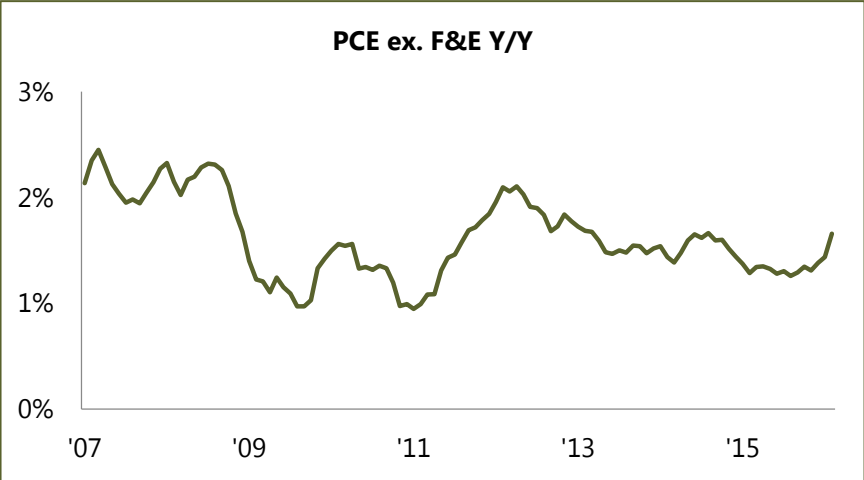
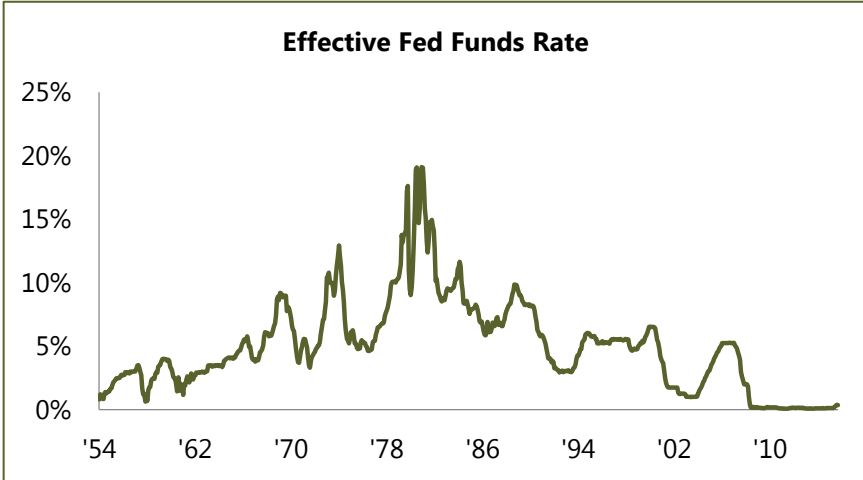
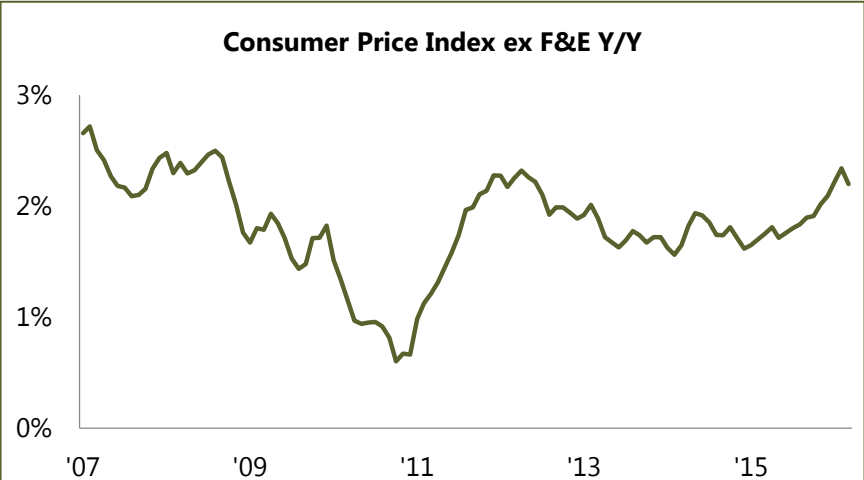
# Nominal GDP Remains Weak

U.S. Nominal GDP remains subdued, hovering around the sluggish growth of 3% Y/Y.



# Inflation a Non-Issue

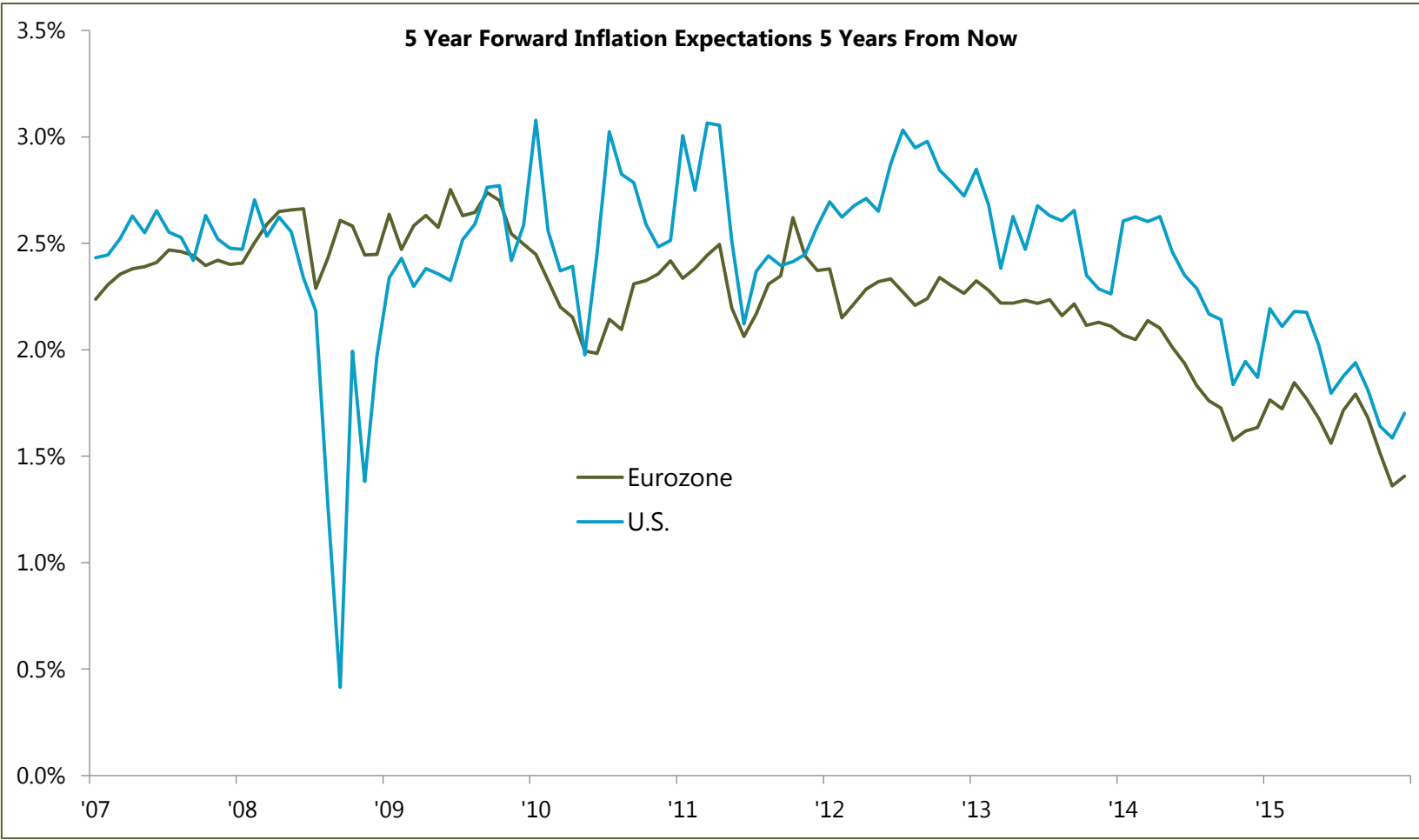
Both CPI and PCE ex Food & Energy grew over the quarter. However, the Velocity of Money continues to trend downwards, indicating the slowing of transactions with the economy.





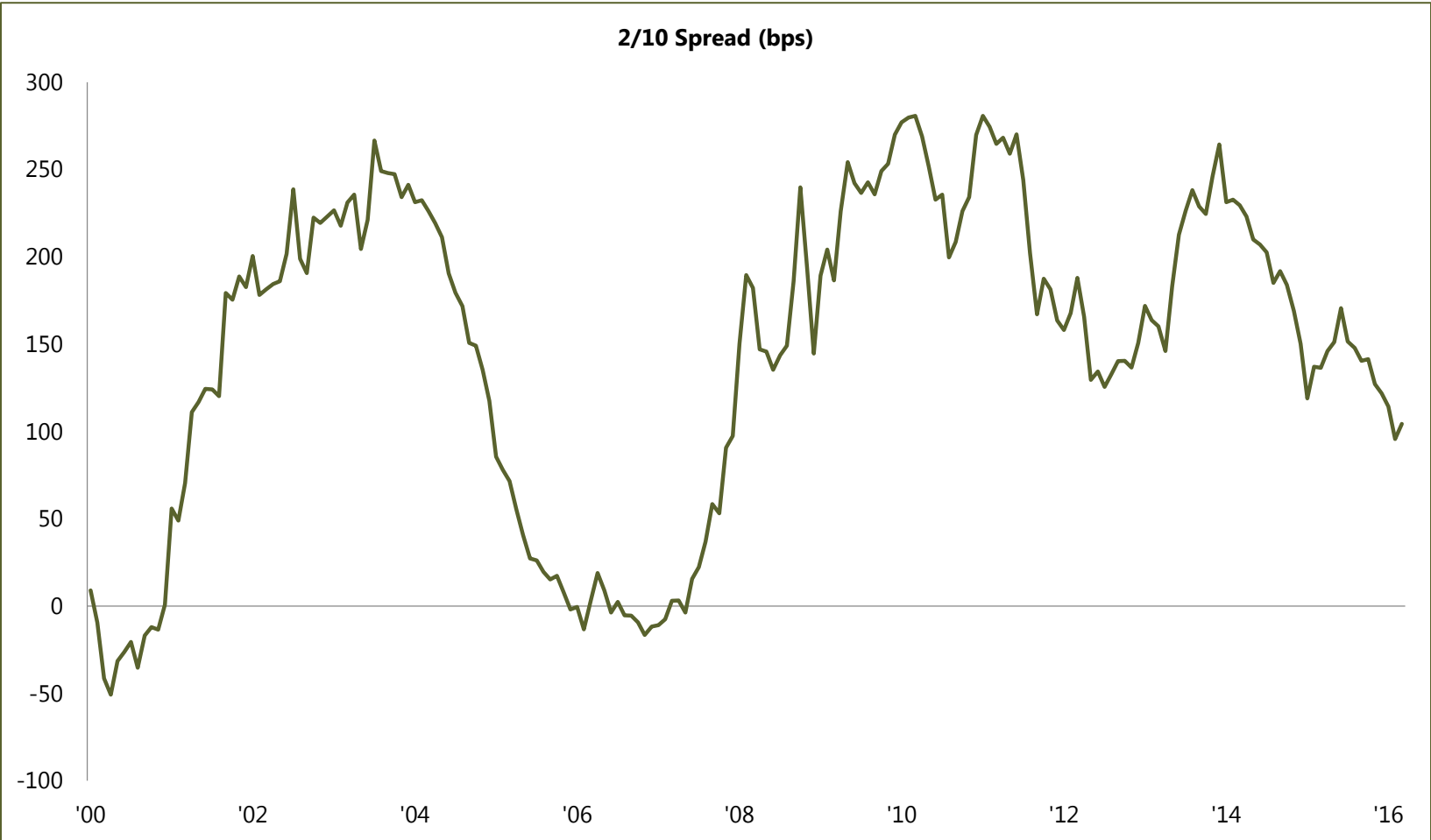
# Forward Breakeven Inflation Expectations

The 5yr, 5yr Forward Breakeven Inflation Rate illustrates what the market predicts the average 5 year inflation rate will be starting 5 years from now. Inflation expectations are now the lowest since 2009, prior to Quantitative Easing, and have slightly decreased over last quarter.



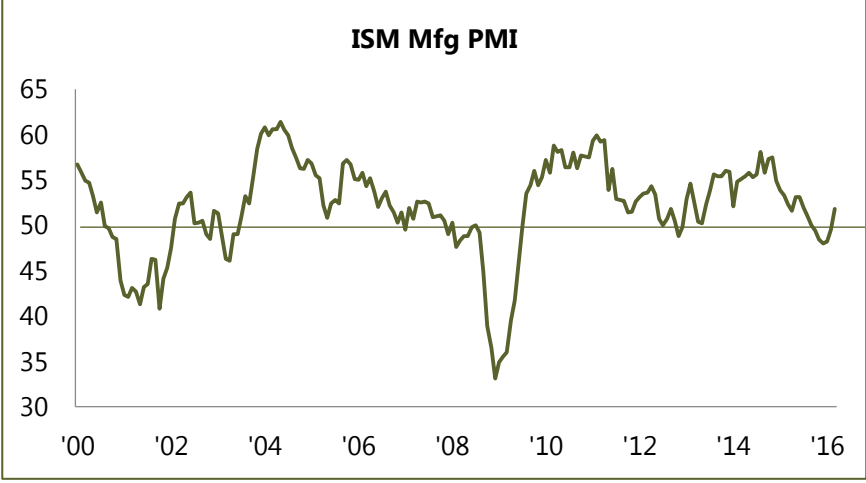
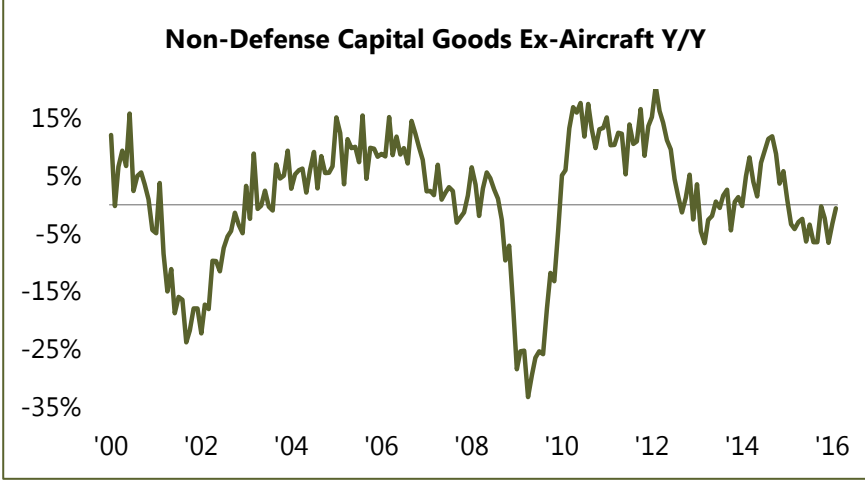
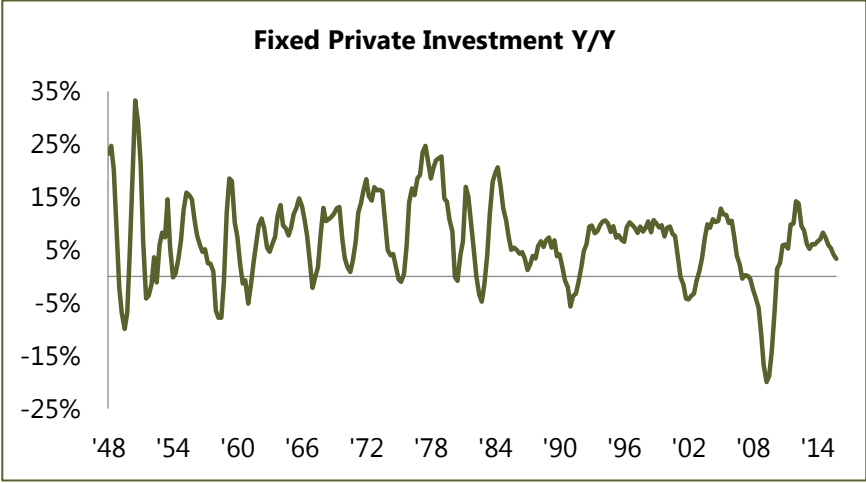
# 2/10 Spread

The spread between the U.S. Government 10 year yield and 2 year yield narrowed 17 basis points since last quarter, indicating the continuing flattening of the yield curve



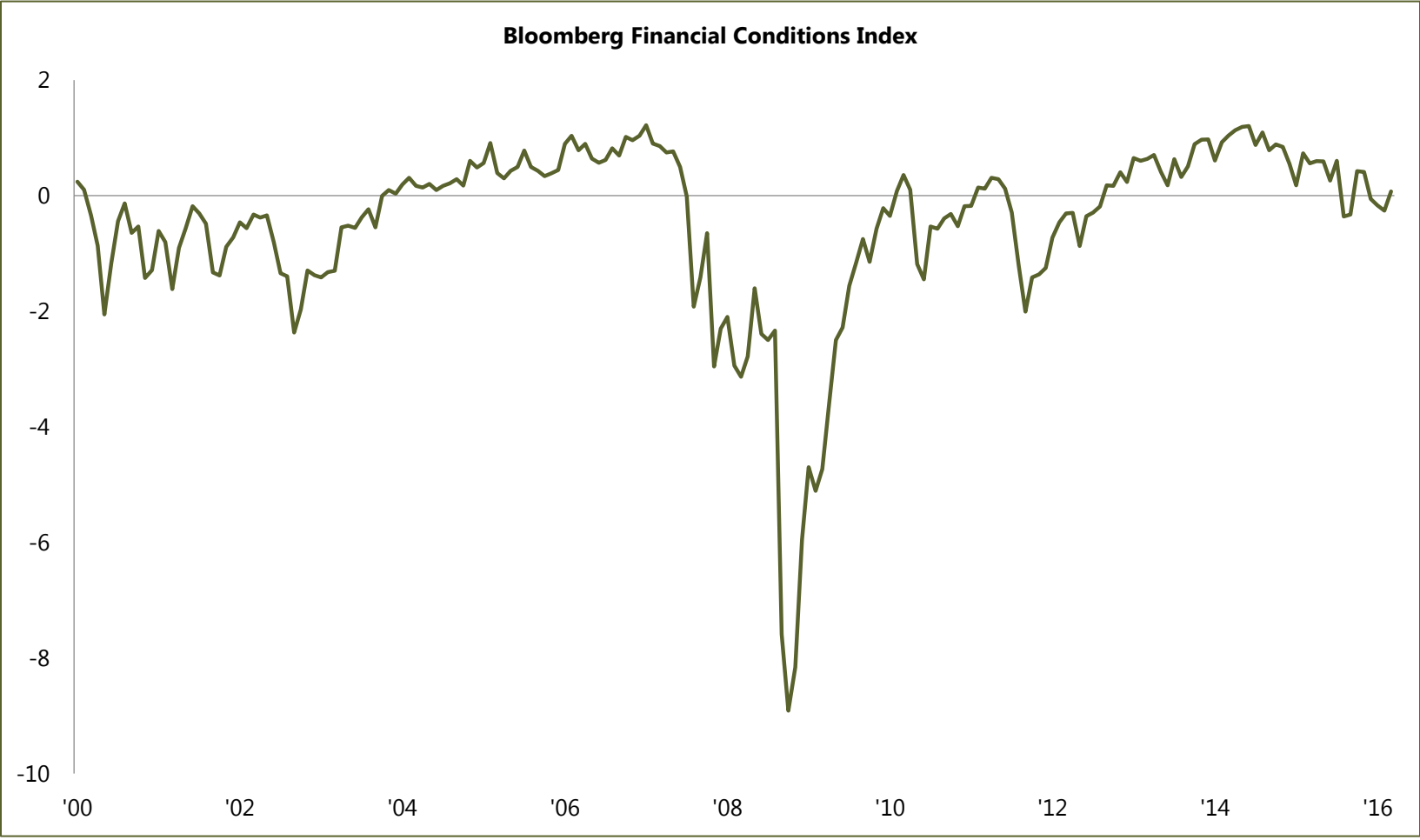
# Key Economic Indicators

U.S. Manufacturing PMI rose above 50 this past quarter, indicating an expansion in the manufacturing sector. Non-Defense Capital Goods Ex-Aircraft (a proxy for CAPEX) contracted Y/Y in the 1<sup>st</sup> quarter as companies backed off on capital spending.



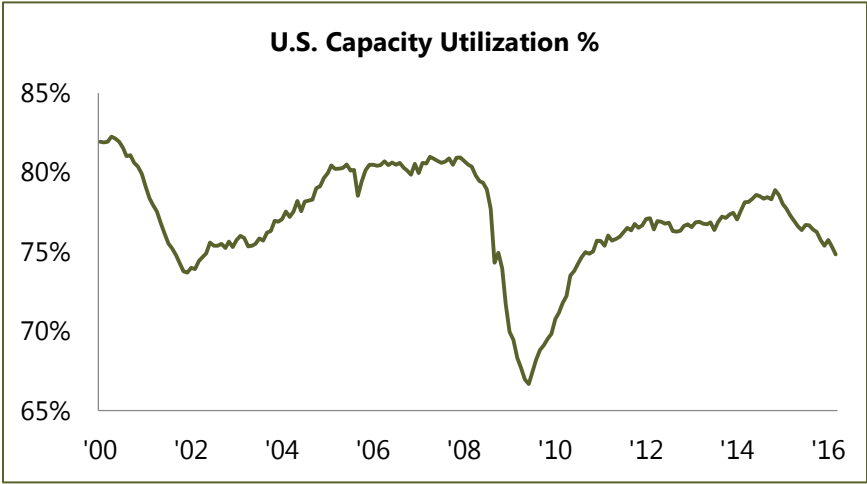
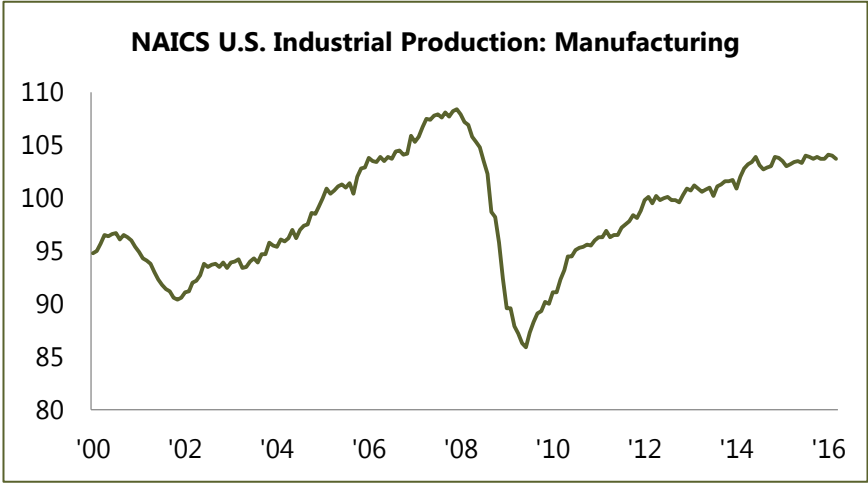
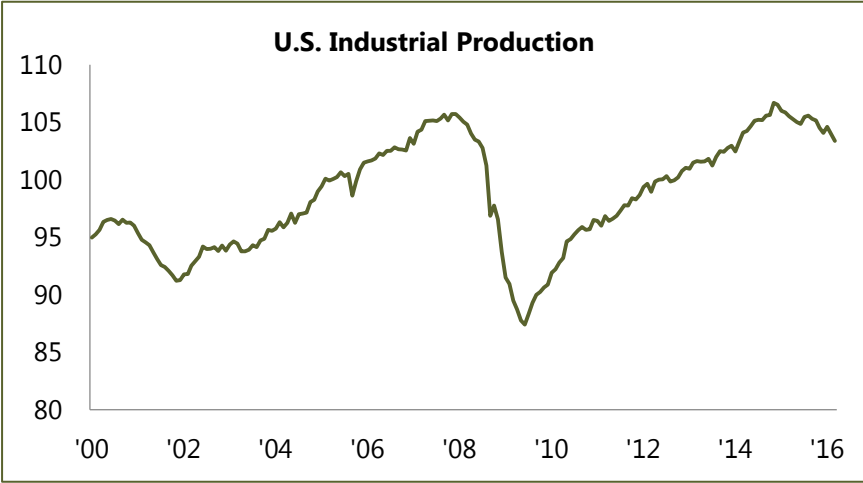
# Key Economic Indicators

The overall availability and cost of credit continued to fluctuate over the past quarter. A positive value indicates accommodative financial conditions, while a negative value indicates tighter financial conditions relative to pre-crisis norms (1994-2008).



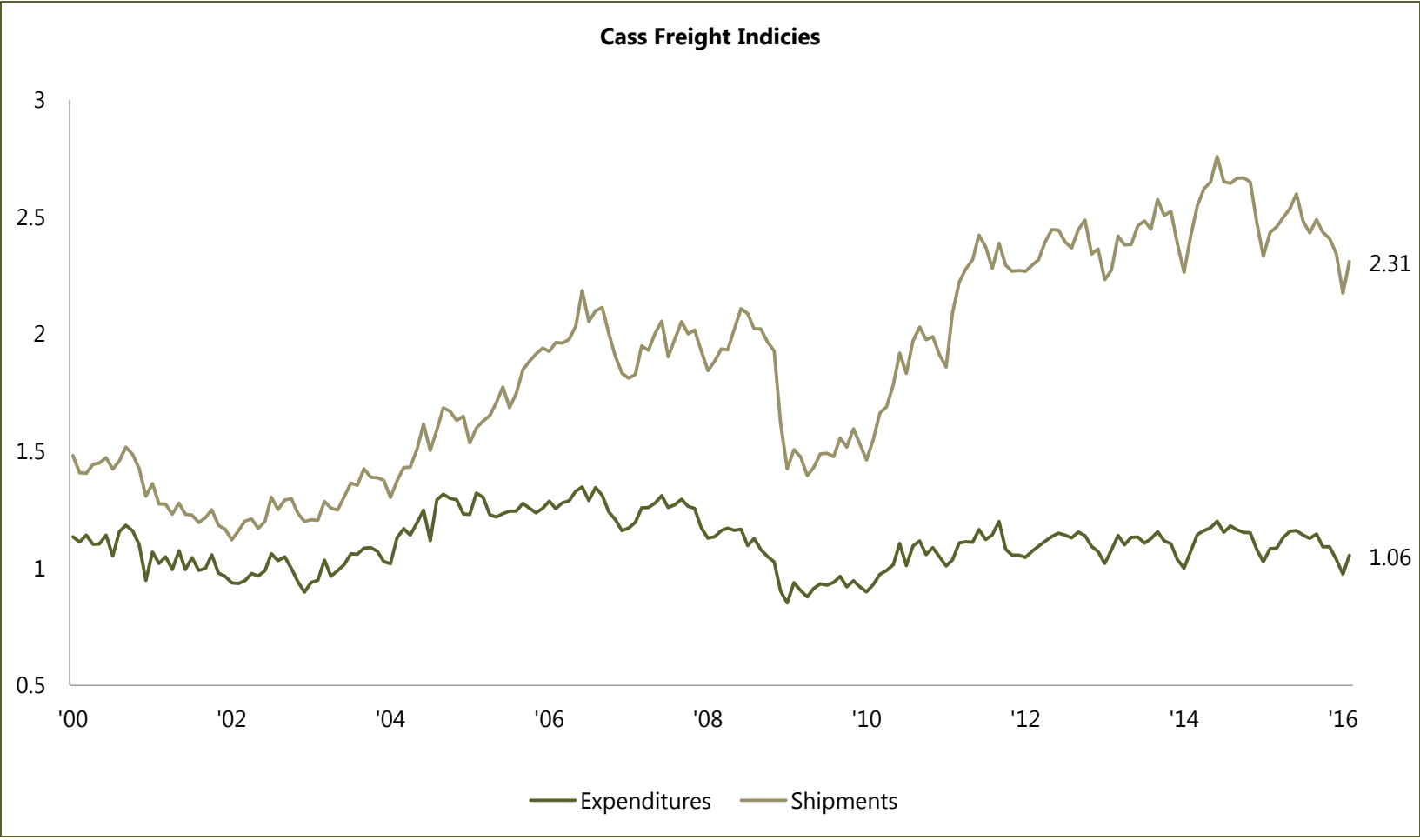
# U.S. Industrial Production

Industrial Production and Capacity Utilization have fallen slightly over the past quarter, but have reiterated the downward trend since late 2014.



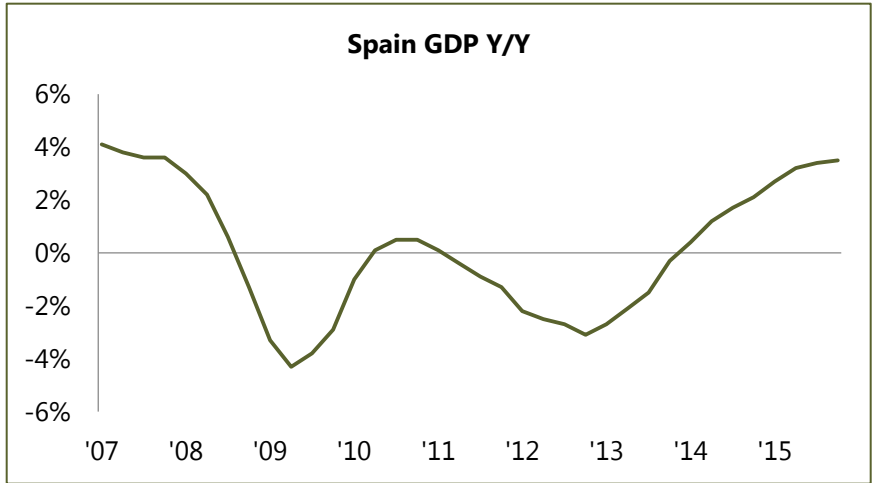
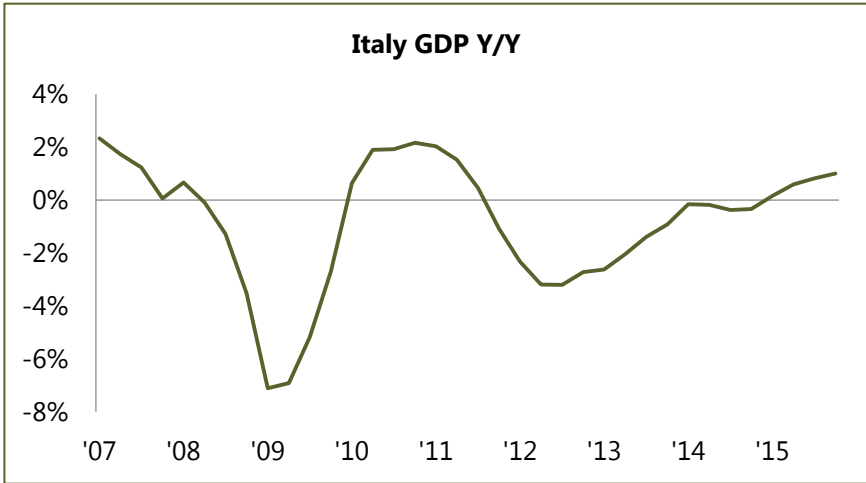
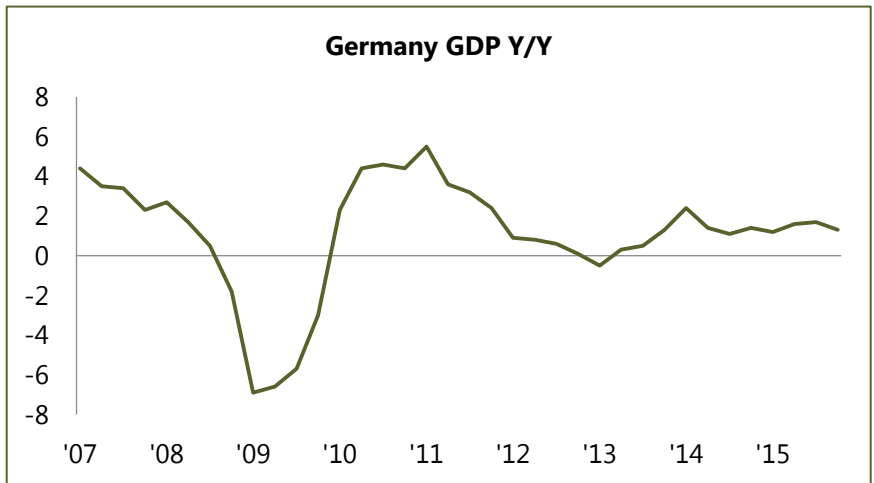
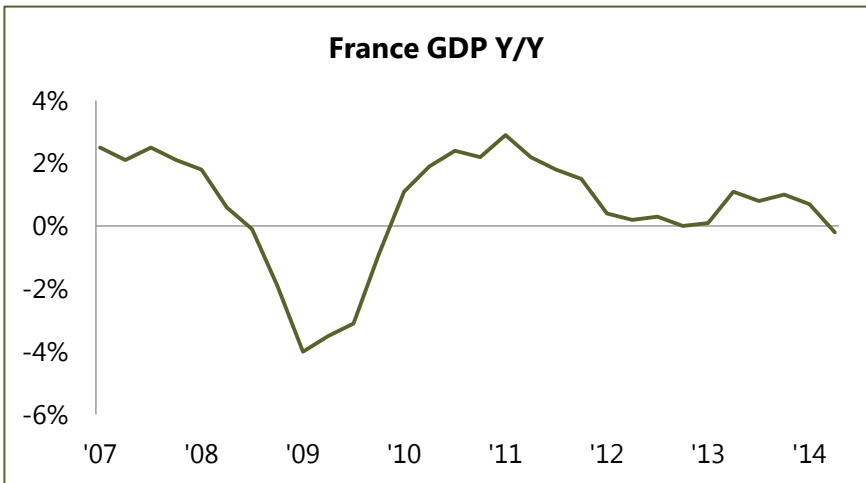
# U.S. Cass Freight Indices

The Cass Freight Indices measure North American freight volumes and expenditures. Starting in January 1990 (also the base year), the value for both indices the relative value against the start date (January 1990).



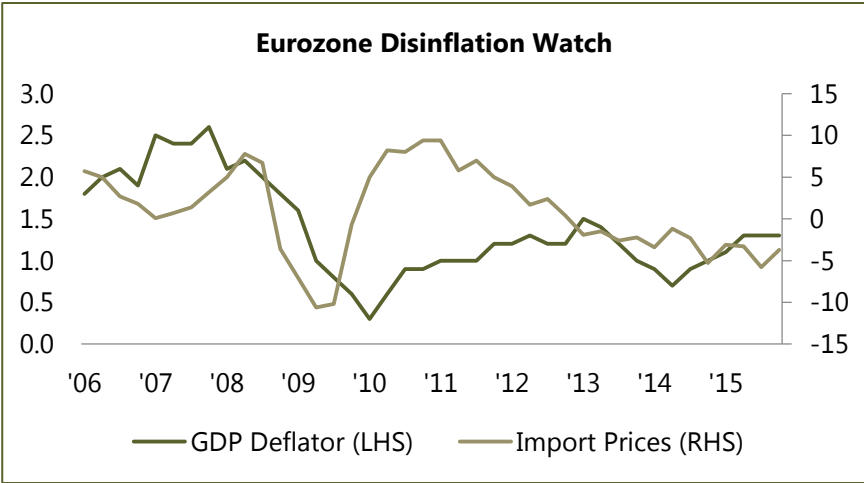
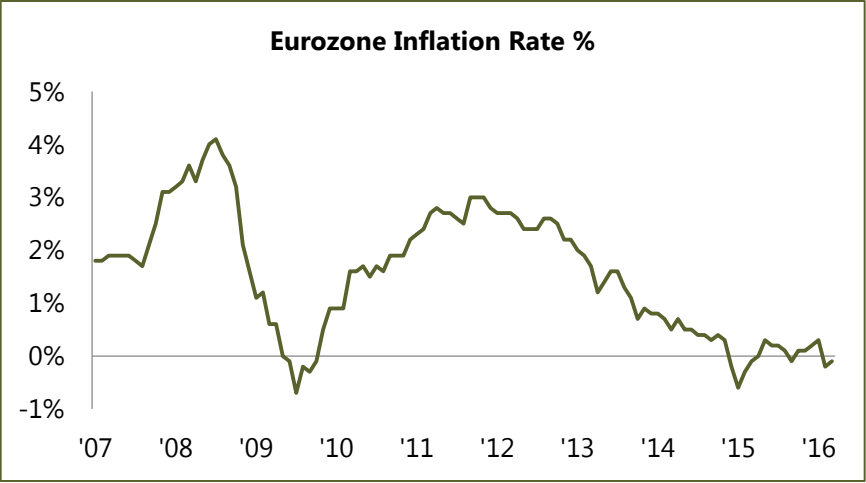
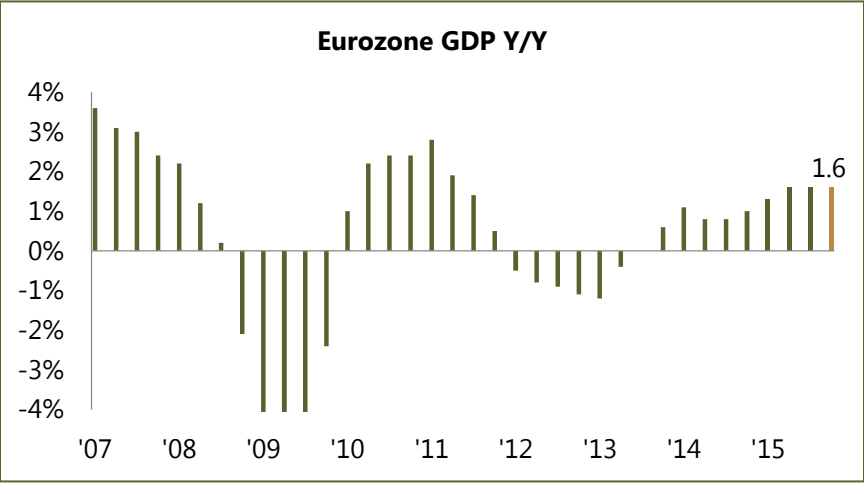
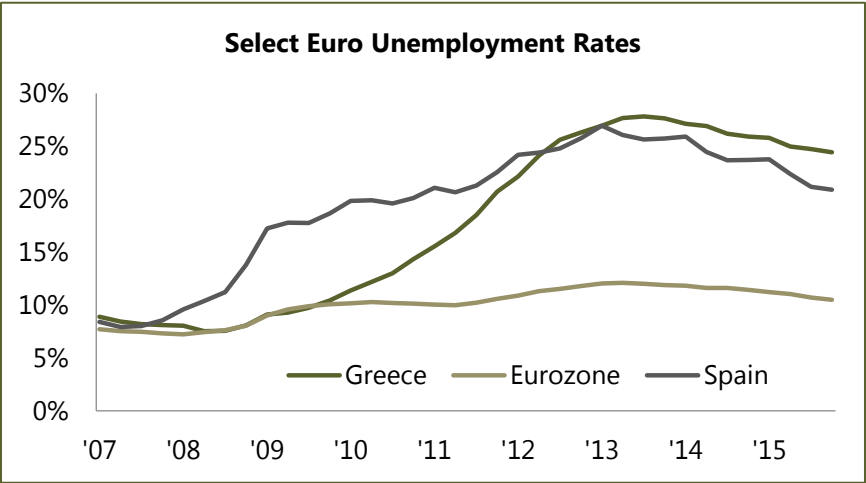
# Eurozone GDP Growth Rates

The ECB cut interest rates further on March 10<sup>th</sup>, and expanded their bond purchasing program in order to stimulate the Eurozone Economy. GDP growth in France, Italy, and Spain remains elevated, while German GDP has been more muted.



# Eurozone

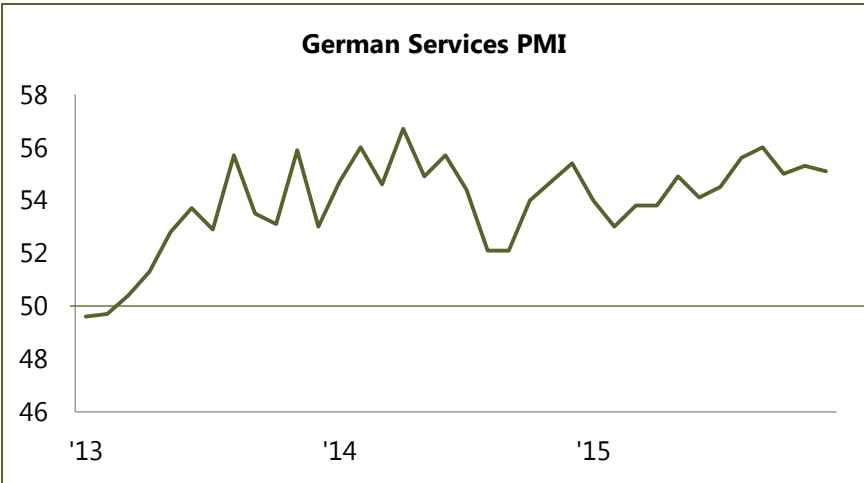
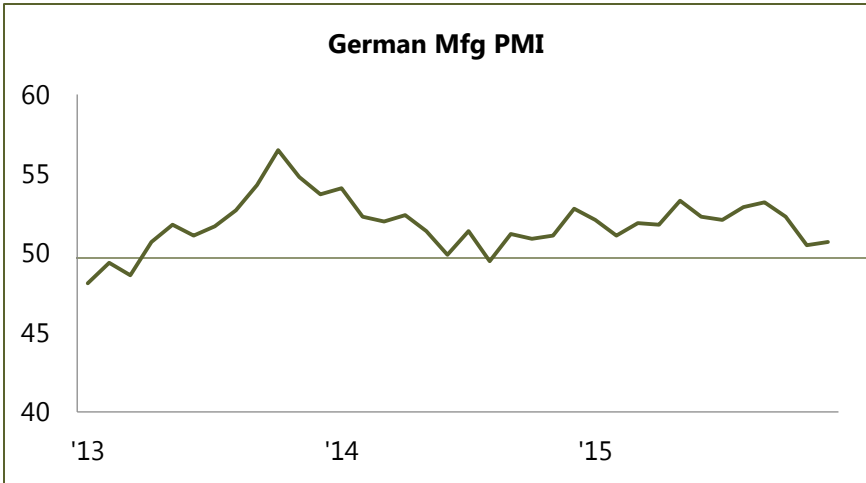
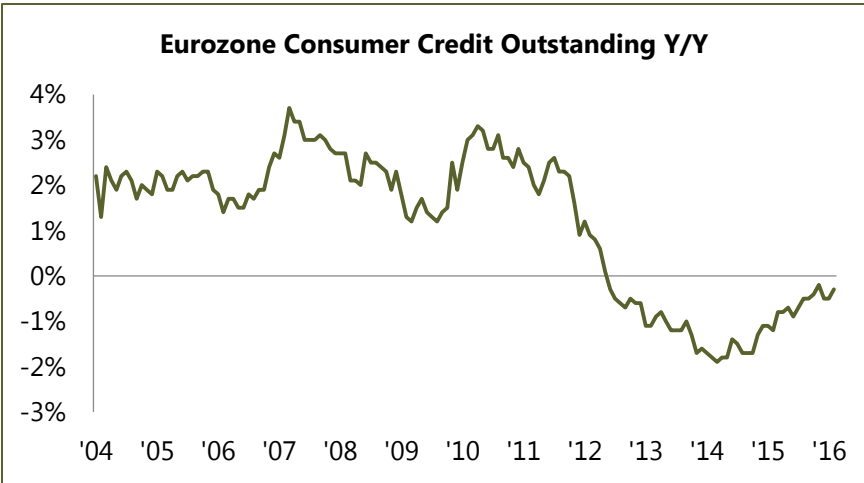
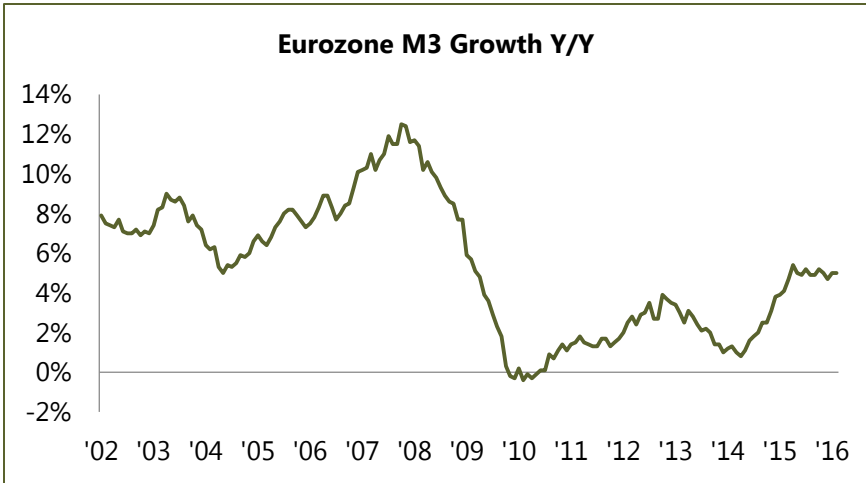
Deflationary concerns persisted in Q1, continuing to support more ECB stimulus, which was upped in March. The disinflation watch will be a prominent economic indicator moving towards the end of 2016. However, Unemployment rates are still trending downwards.





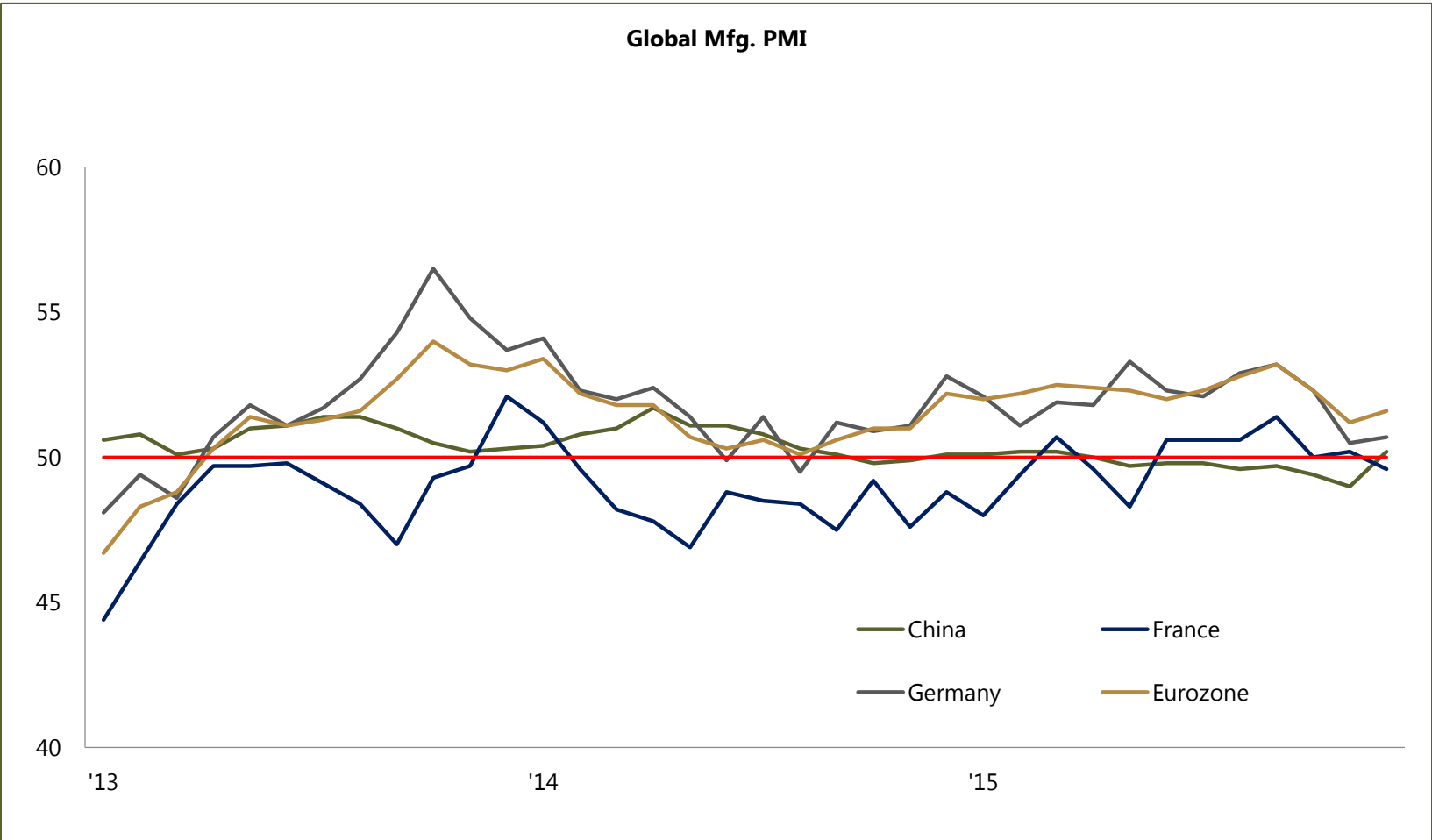
# Eurozone

Both German PMI's continue to trend above 50, signaling expansions in both the manufacturing and services sectors. Consumer credit has failed to grow positive since 2012, while Eurozone M3 growth has remains flattened.



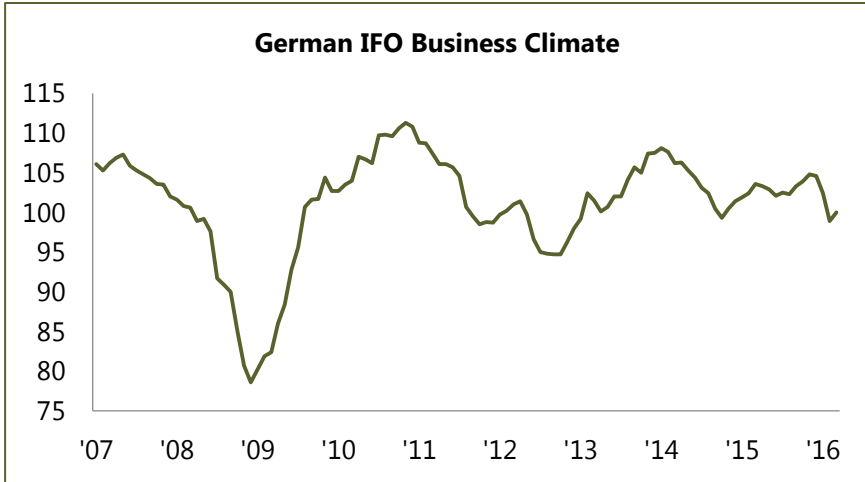
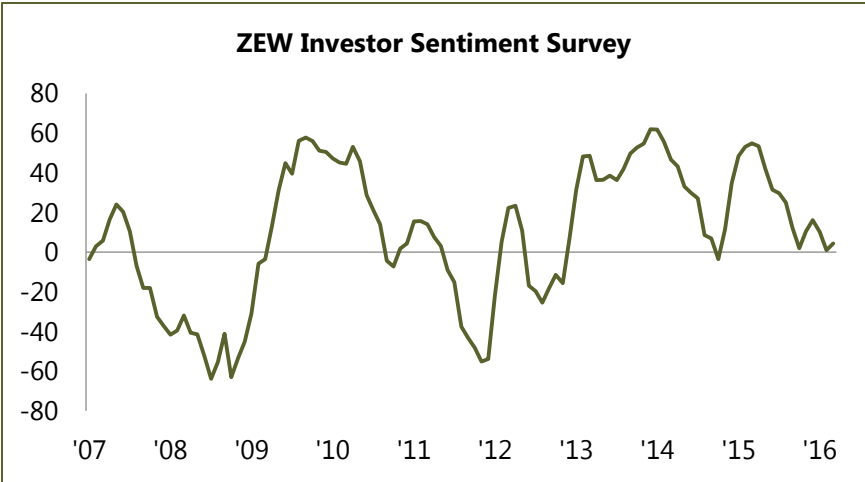
# Global Mfg. PMI

China, Germany, and the Eurozone have PMI's over 50, indicating an expansion in their Manufacturing Sectors. However, a strengthening Euro may hurt export driven economies, and China's transition towards consumption-based GDP remains a headwind for PMI's.



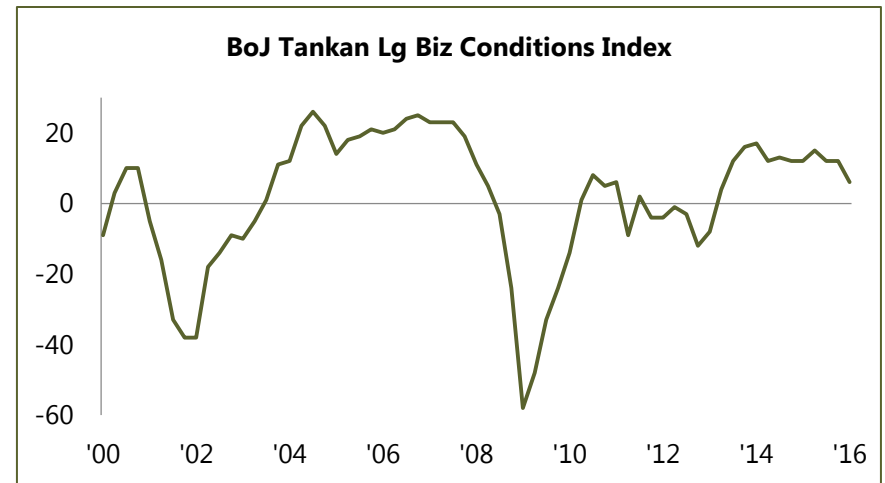
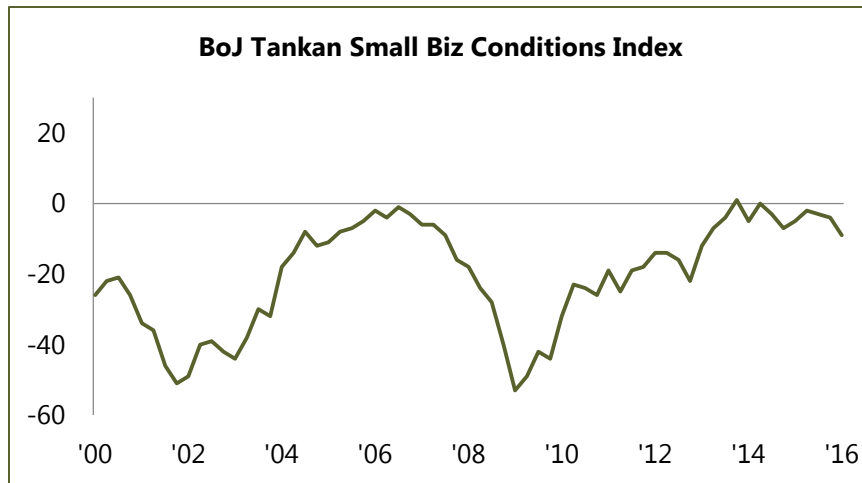
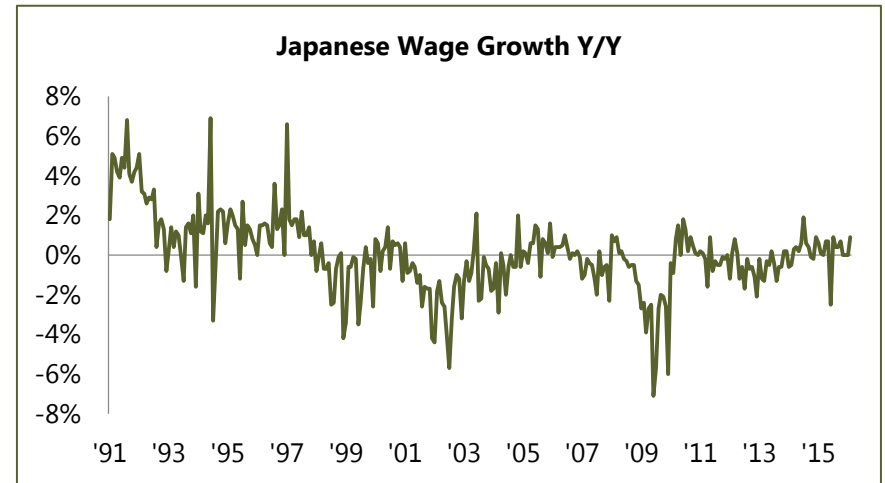
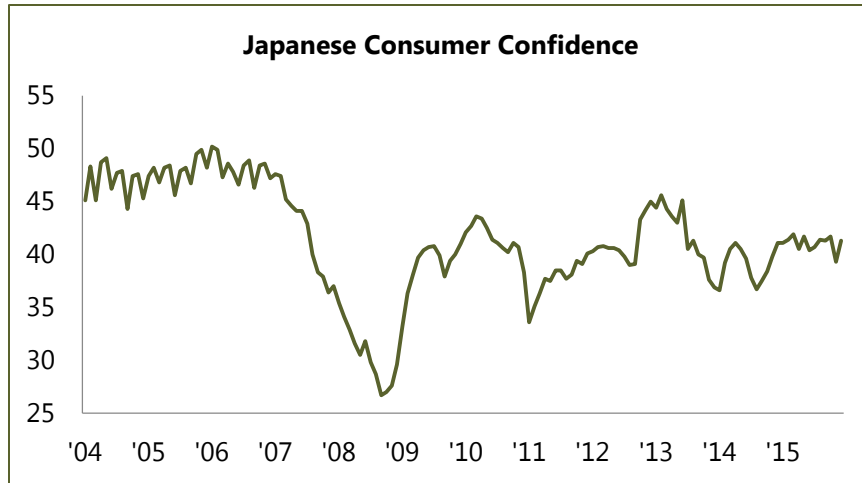
# Germany

With the Euro strengthening against the U.S. Dollar over the last quarter, German Exports may see weakness as the year continues. However, the ZEW Investor Sentiment Survey remains positive, and the IFO Business Climate is still favorable.



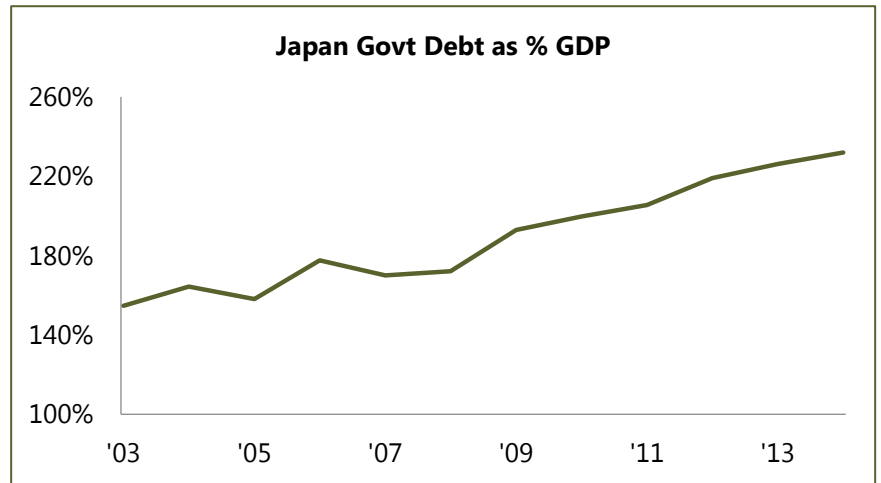
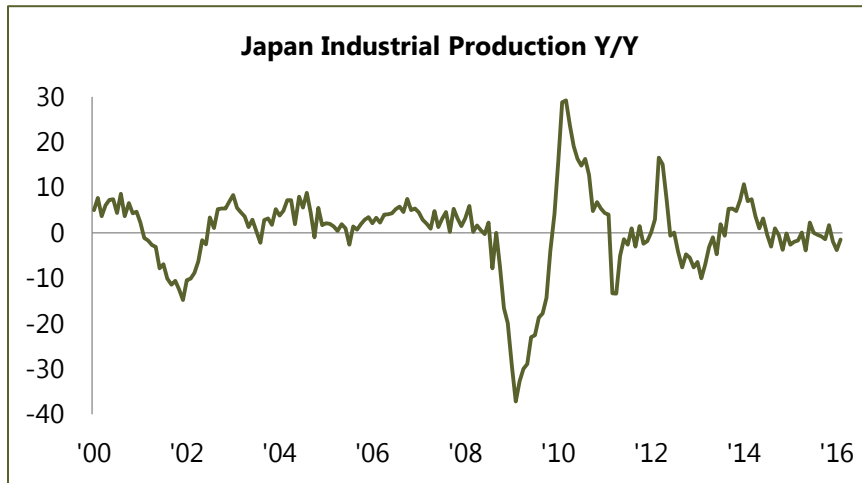
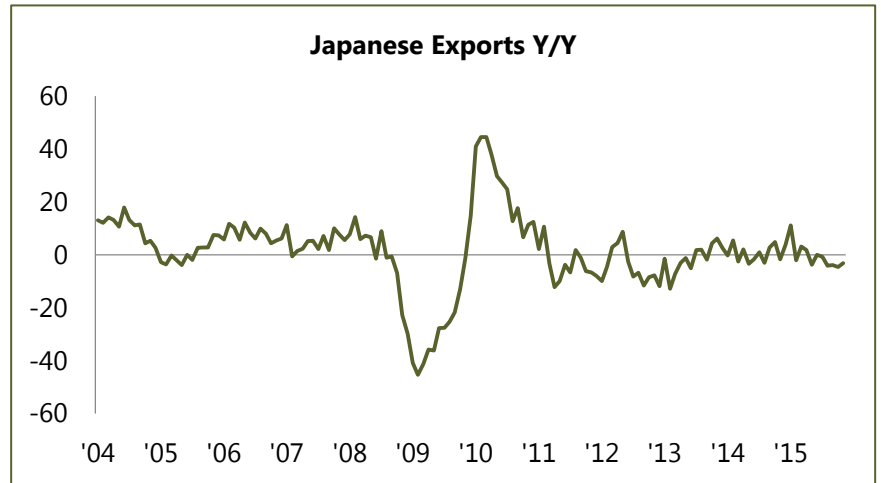
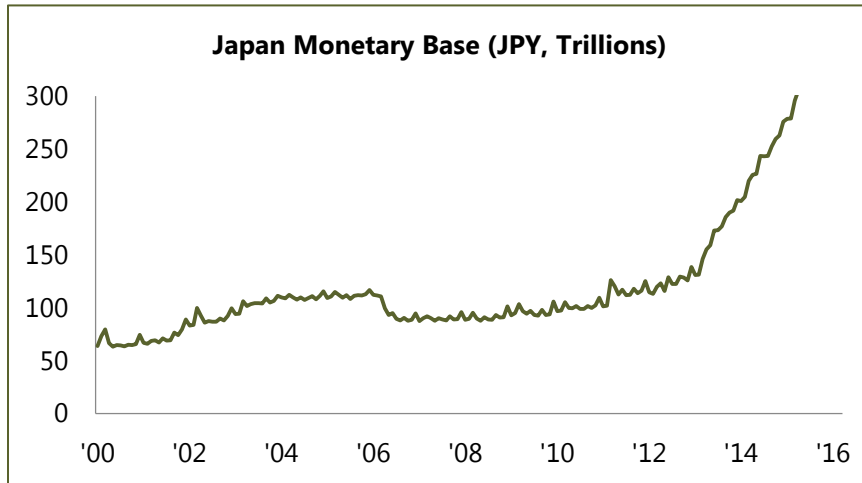
# Tracking Abenomics

Lack of wage growth remains a headwind to Abenomics and over all Japanese GDP growth. Without Fiscal reform, the coming sales tax increase in 2017 could be a major setback.



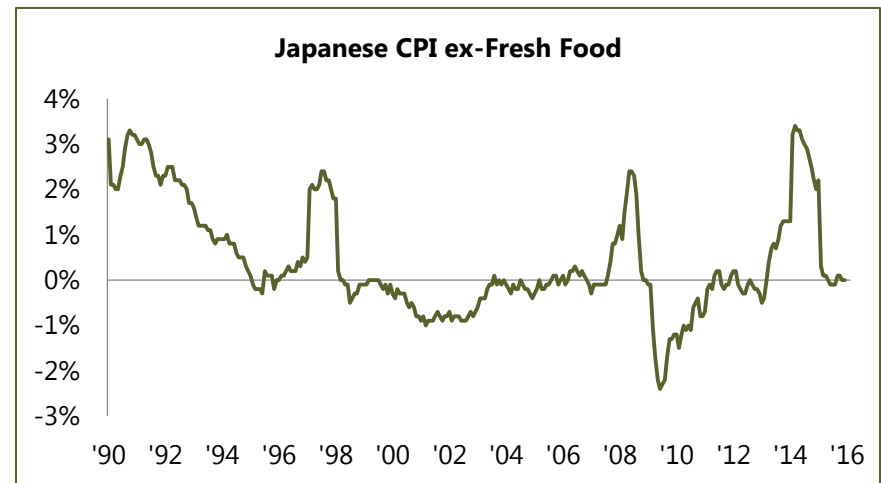
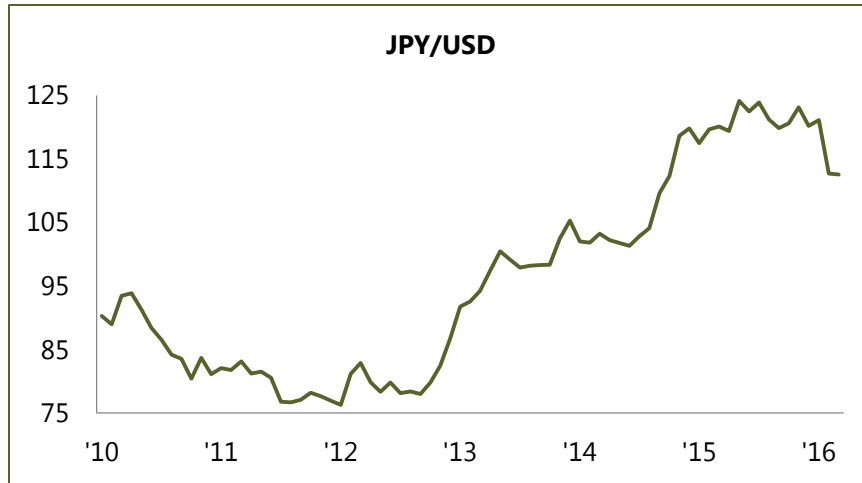
# Japan

Overall Japanese data remains weak, despite unprecedented BOJ stimulus.



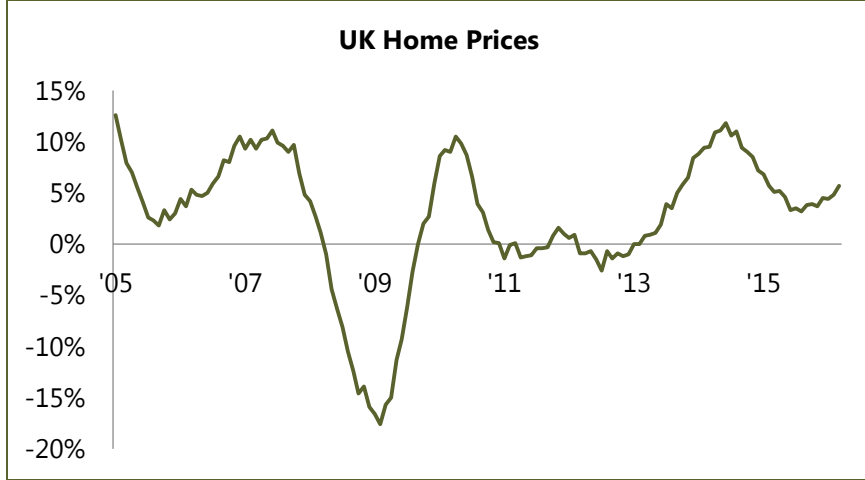
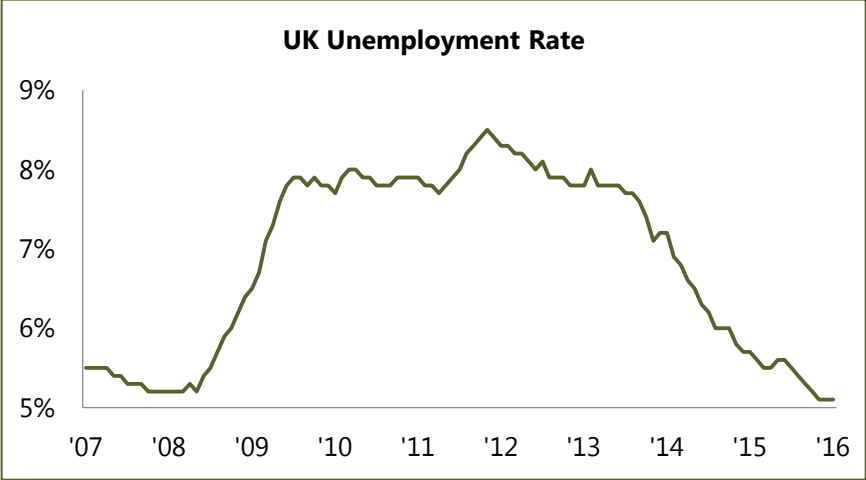
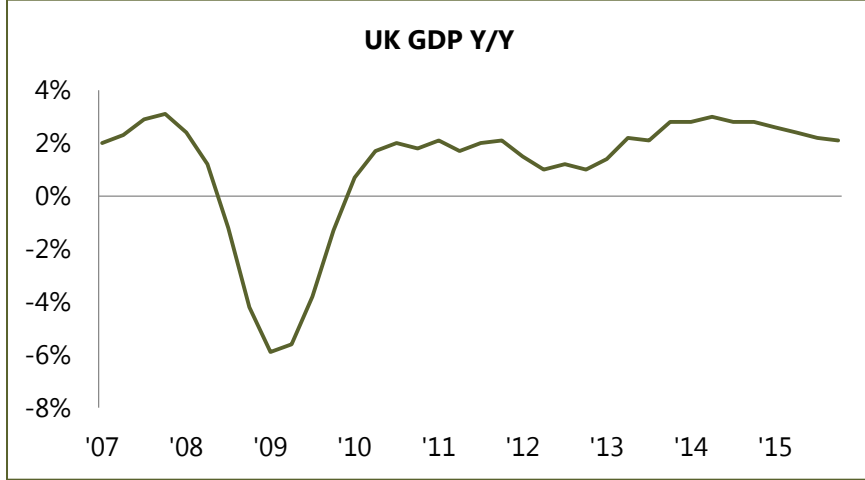
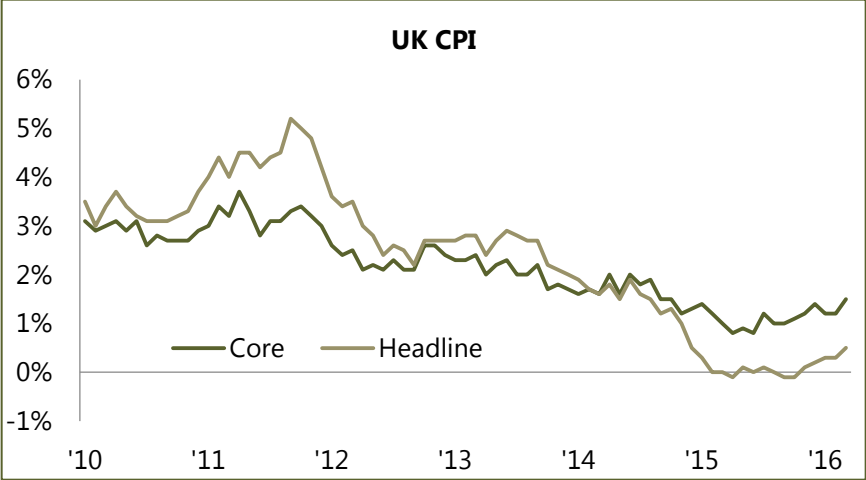
# Yen Continues to Weaken

Strength in the Yen remains a headwind for exporters and risks undermining Abenomics as a whole. The yen is at a 17 month high vs. USD.



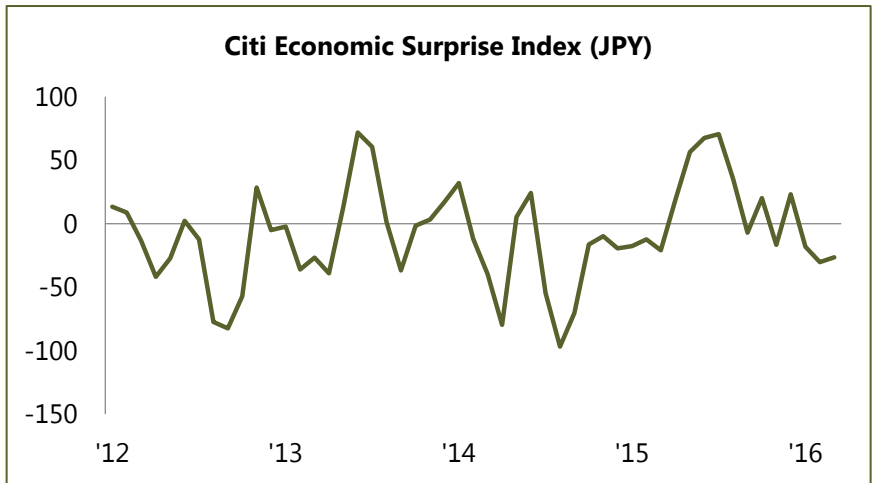
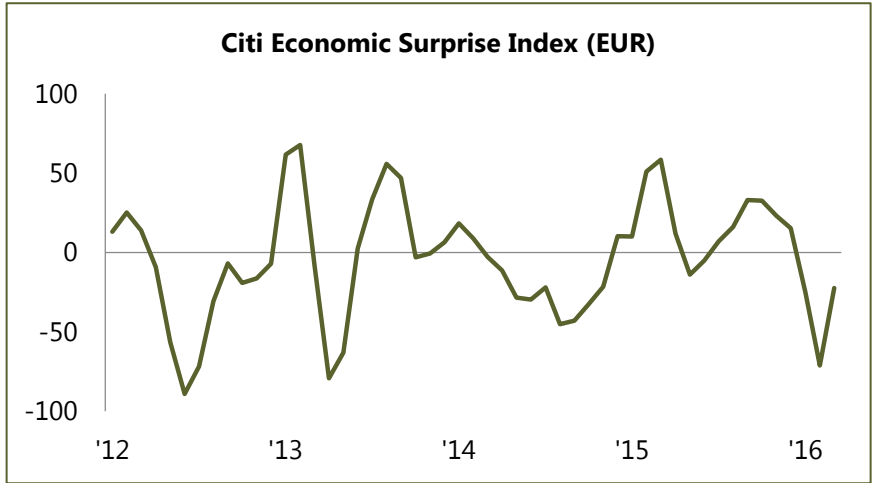
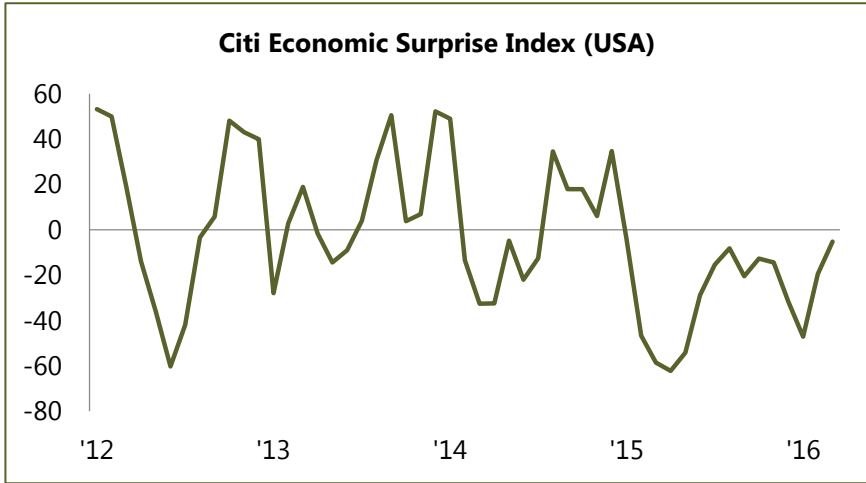
# United Kingdom

Headline news of a “Brexit,” or the United Kingdom exiting the EU, has captivated investors around the globe. CPI has ticked higher, home prices have grown, and unemployment remains at a 10 year low.



# Economic Surprise Indices

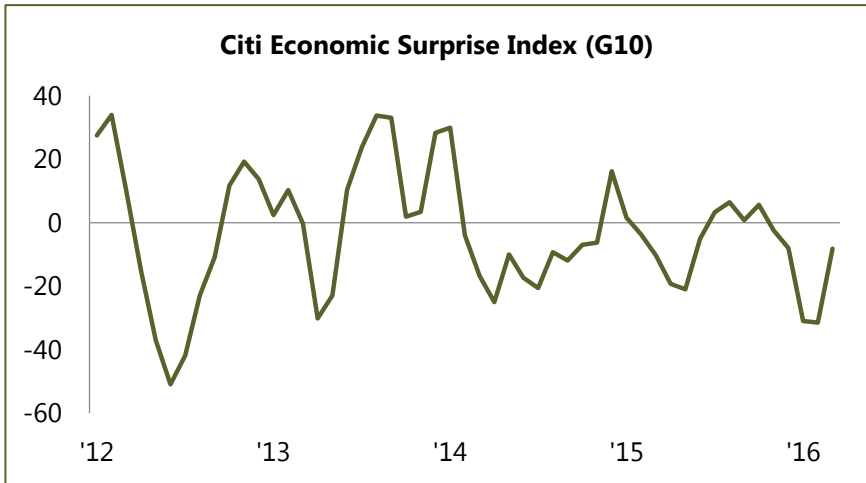
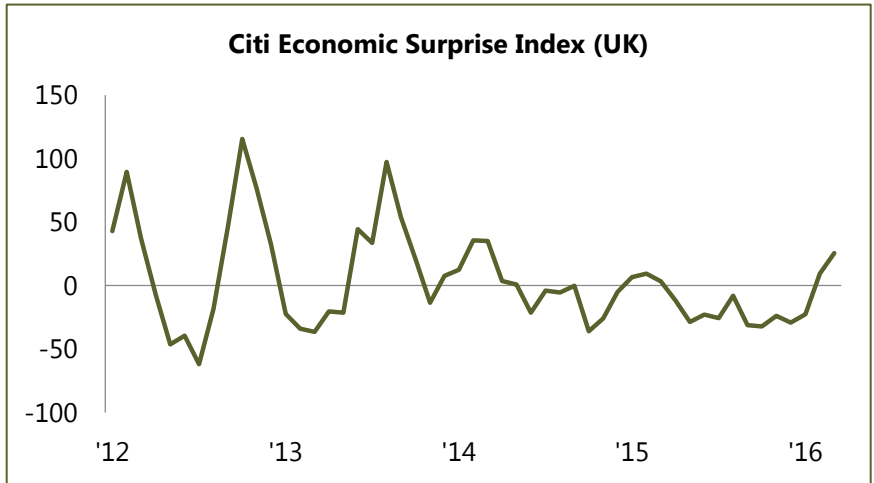
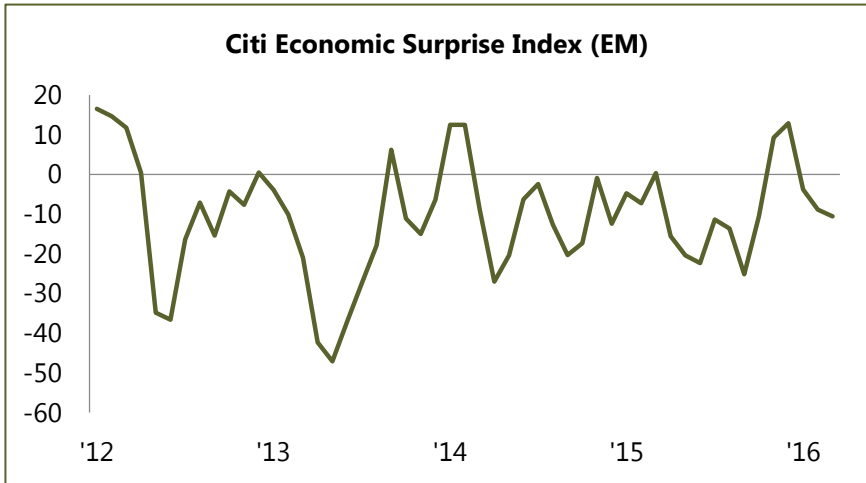
Broad economic data in the U.S. and Europe continue to improve in Q4, while data in China and Japan continues to miss expectations.





# Economic Surprise Indices

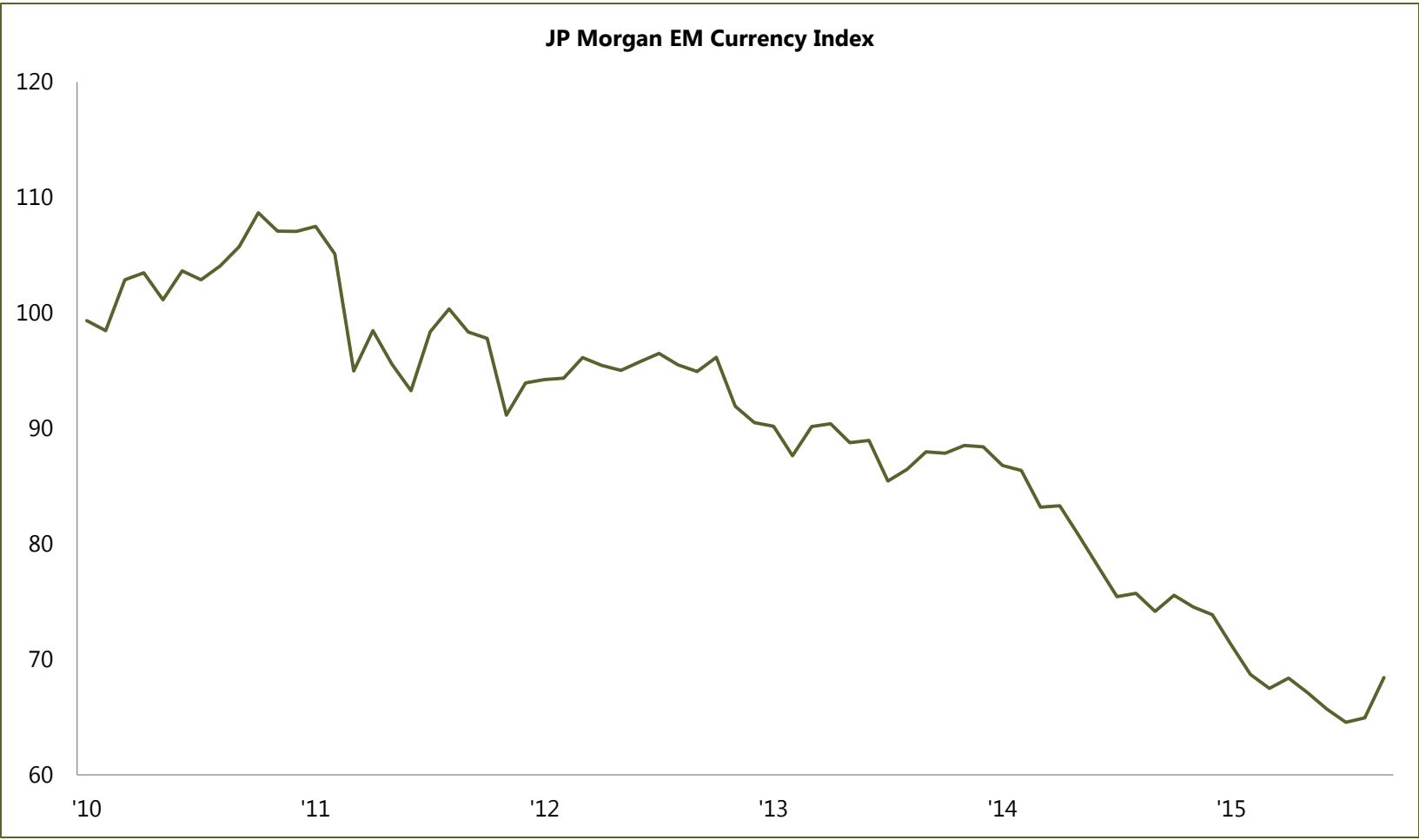
Emerging Markets have missed expectations on commodity weakness, while United Kingdom's economic data continues to beat estimates.



An Economic Surprise Index reading that is **positive** signals that key economic data releases have **exceeded** market expectations.

# Emerging Markets Currencies Bounce Back

While Emerging Markets Currencies have trended downwards over the past 5 years, recent strength in commodity prices have given a bid to the currencies.



# China

Recent trade data from China indicated strong Exports, while Imports decreased less than estimates. Retail sales will be closely watched at China's massive economy shifts from manufacturing to consumption based.



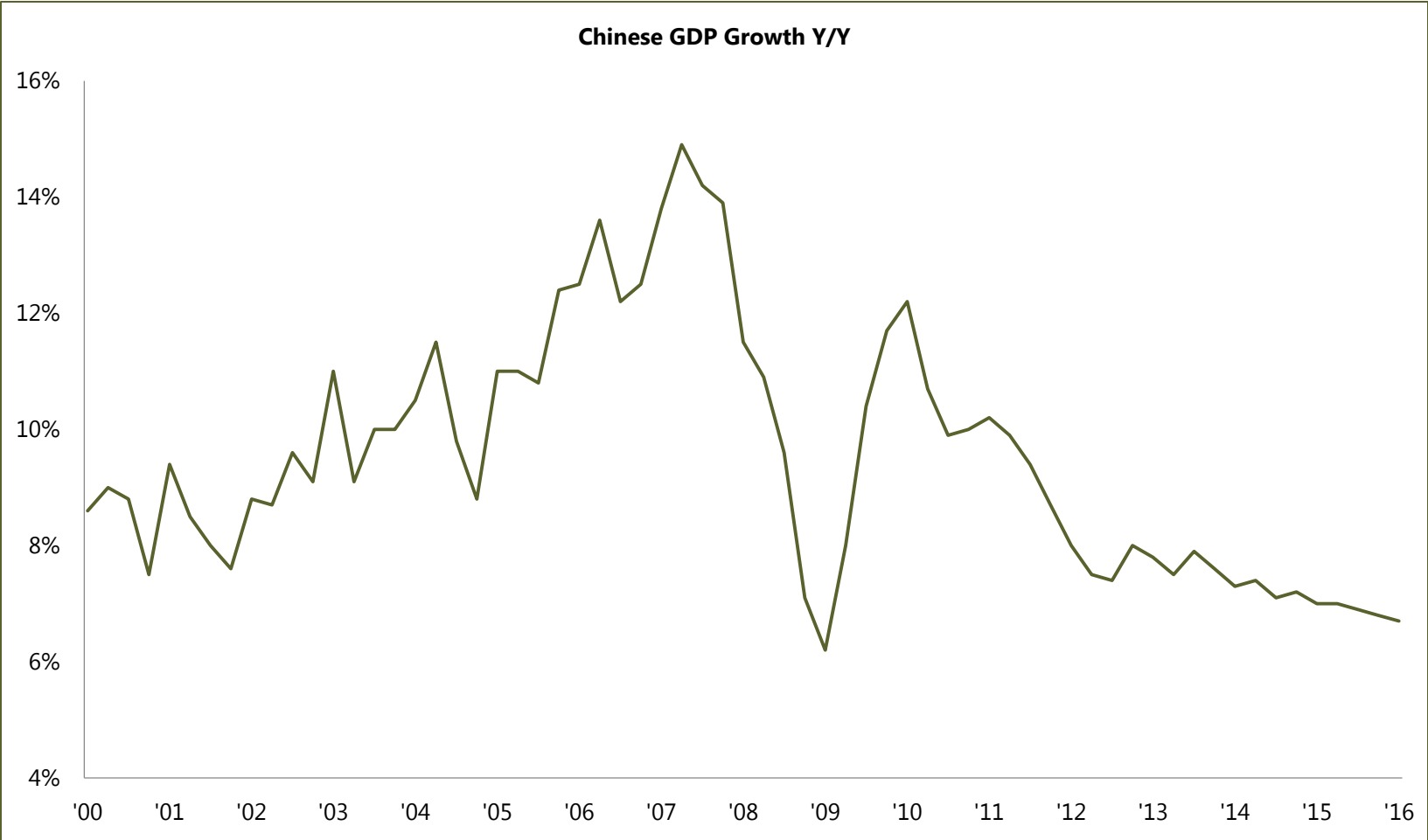
# Shanghai Composite Bubble Bursting

The Shanghai Composite fell considerably early in the 1st quarter of 2016, but the recent rally is indicative of higher commodity prices. As China's government continues to implement financial market reform, volatility is likely to persist in 2016.



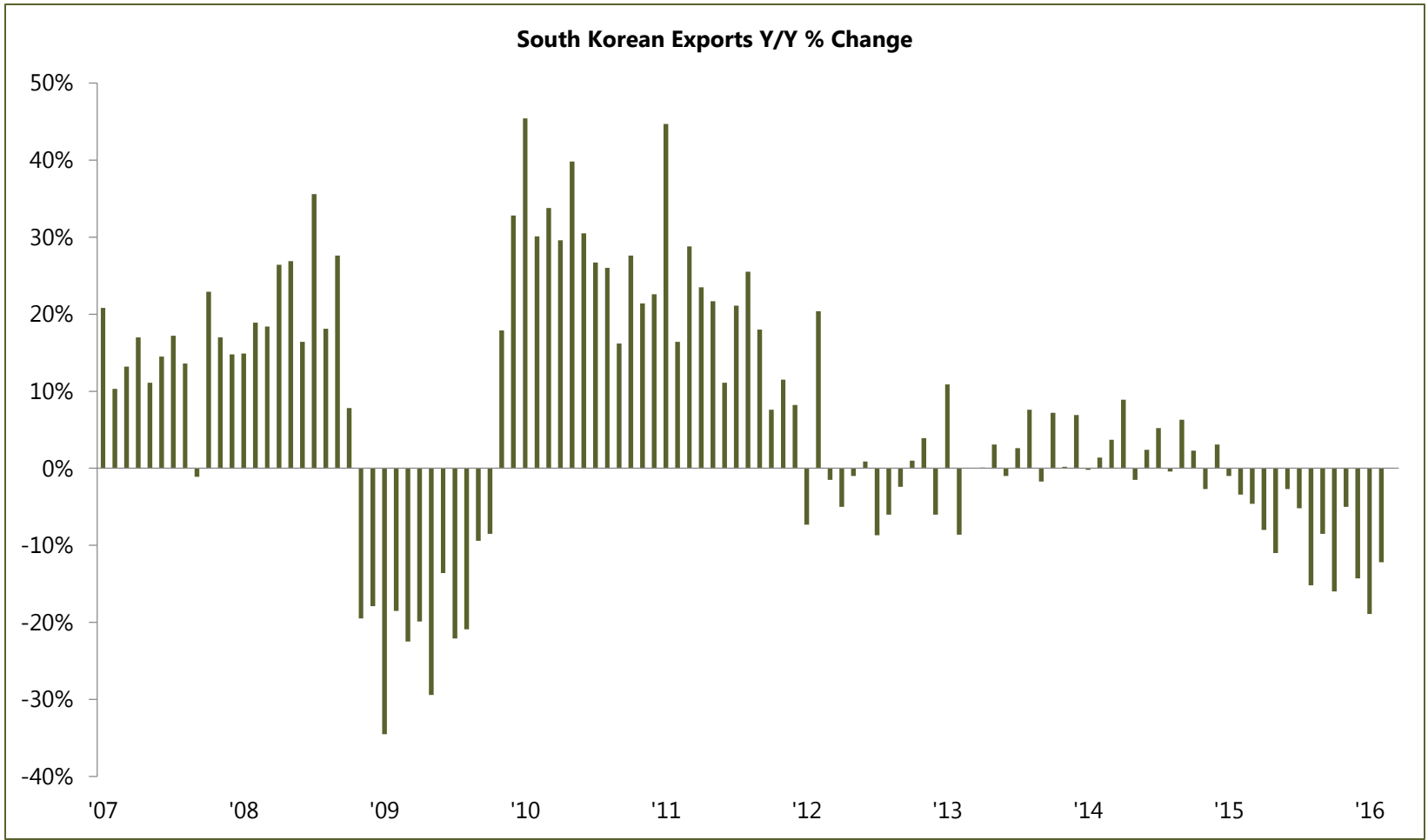
# China

Chinese Q1 2016 GDP growth came in at +6.7% Y/Y, with industrial output growing +6.8% Y/Y and retail sales growing +10.5% Y/Y. China's GDP growth has decelerated since 2Q 2007's high of 14.9% Y/Y.



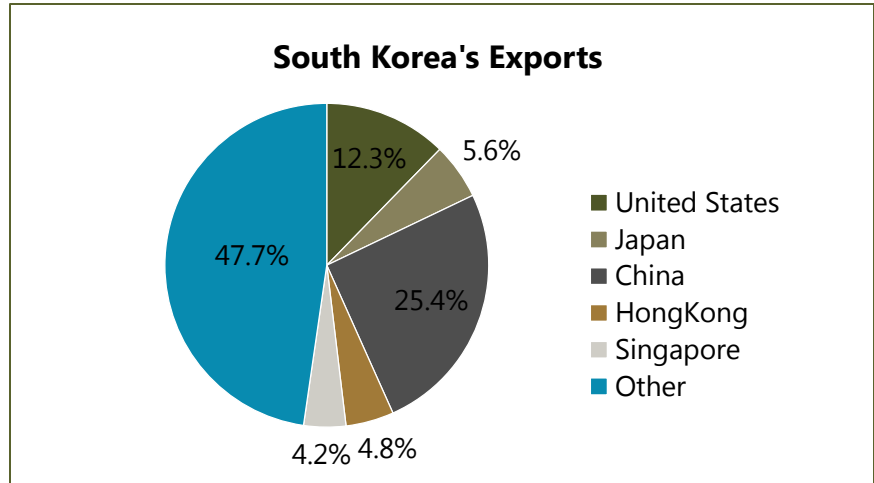
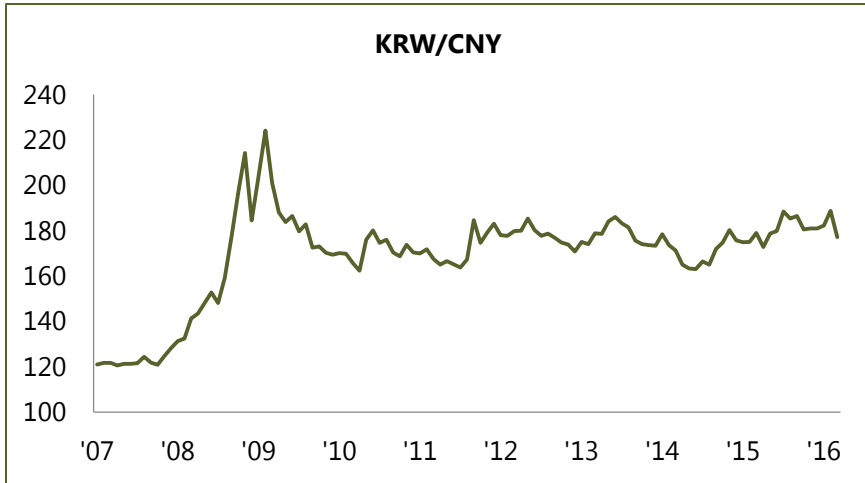
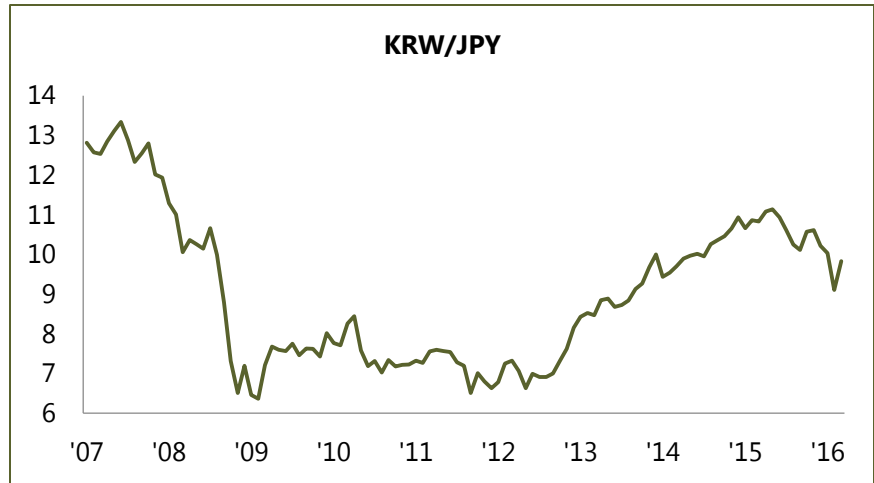
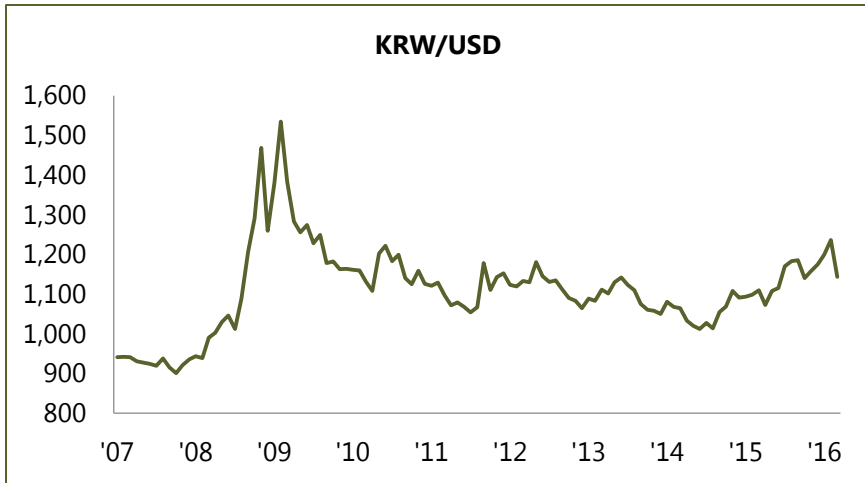
# South Korea

Canary in the coal mine? South Korean Exports continue to decline, highlighting global growth slowdown fears.



# South Korea's Won

The Korean Won is worth watching relative to its key trading partners for signs of stress.



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