

Q2 2016 CHART BOOK



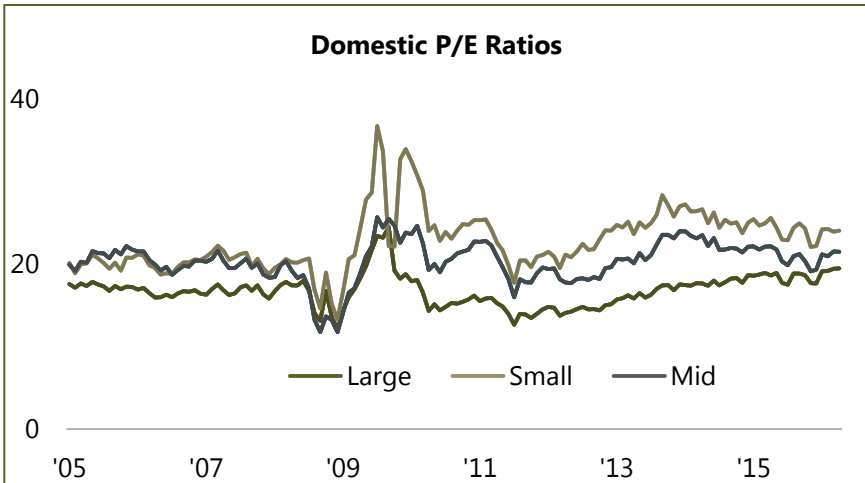
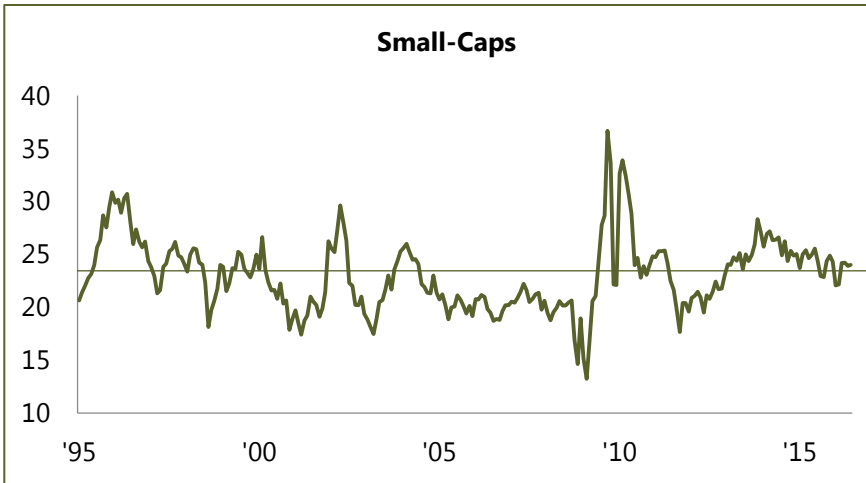
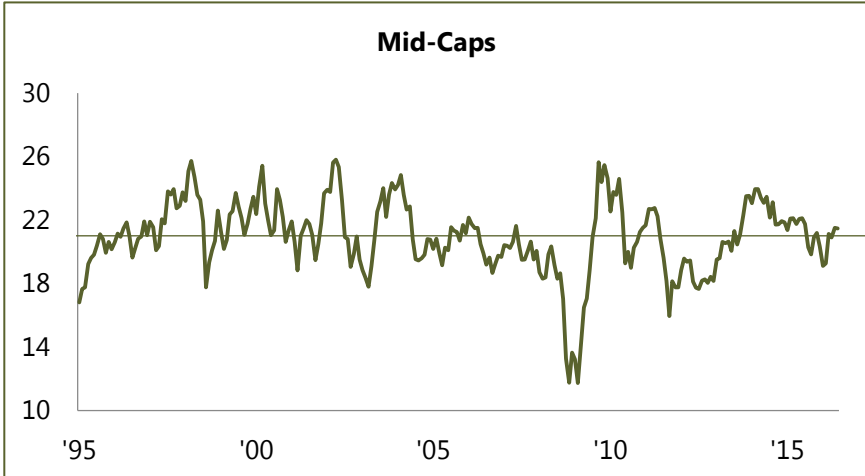
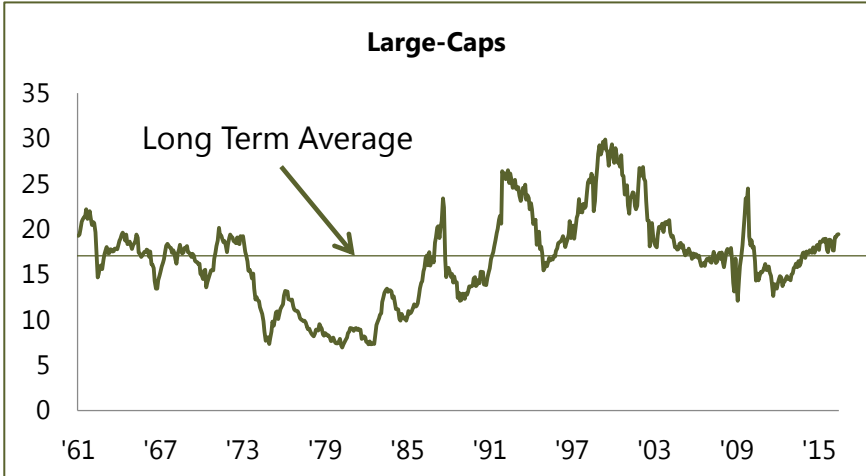
Buffalo, NY



North Palm Beach, FL

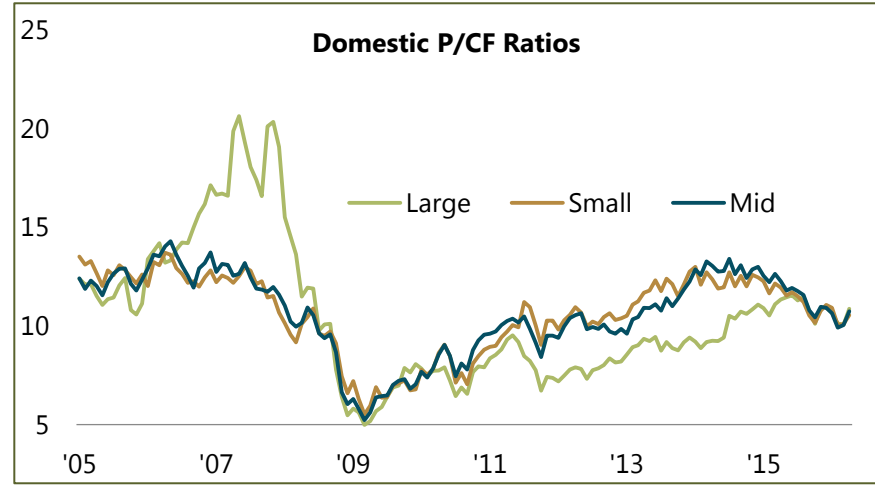
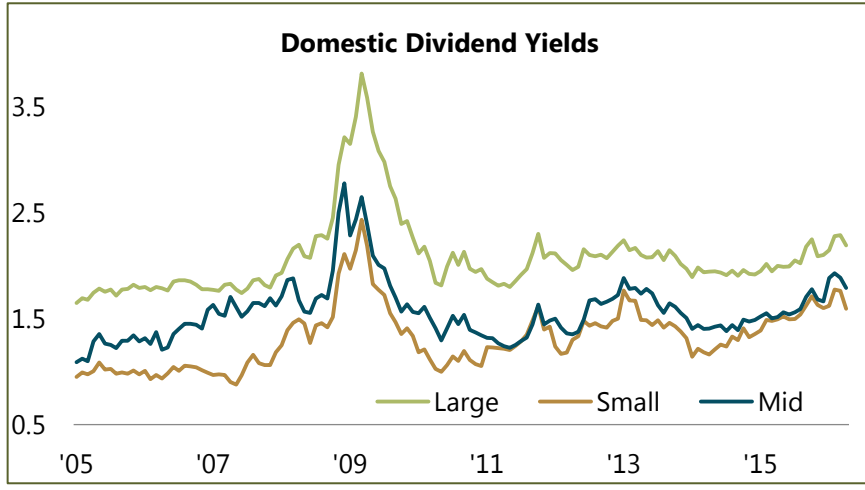
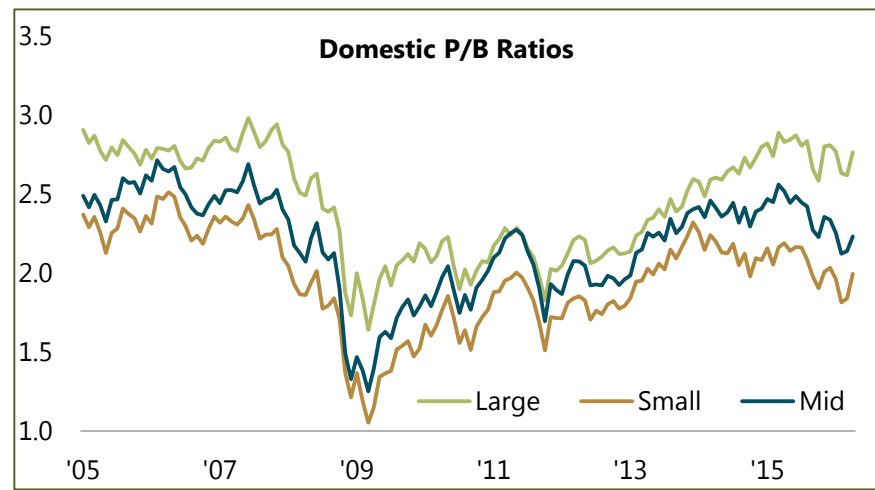
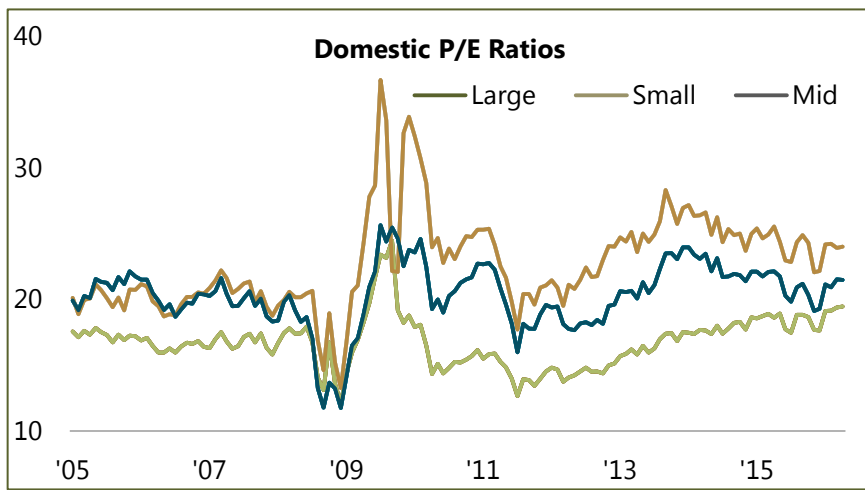
Domestic P/E's

Domestic P/E's continue to trade richer than their long term averages, with earnings multiples expanding slightly for Large and Mid caps since March. Small Cap P/E ratios declined, slightly over the same period.



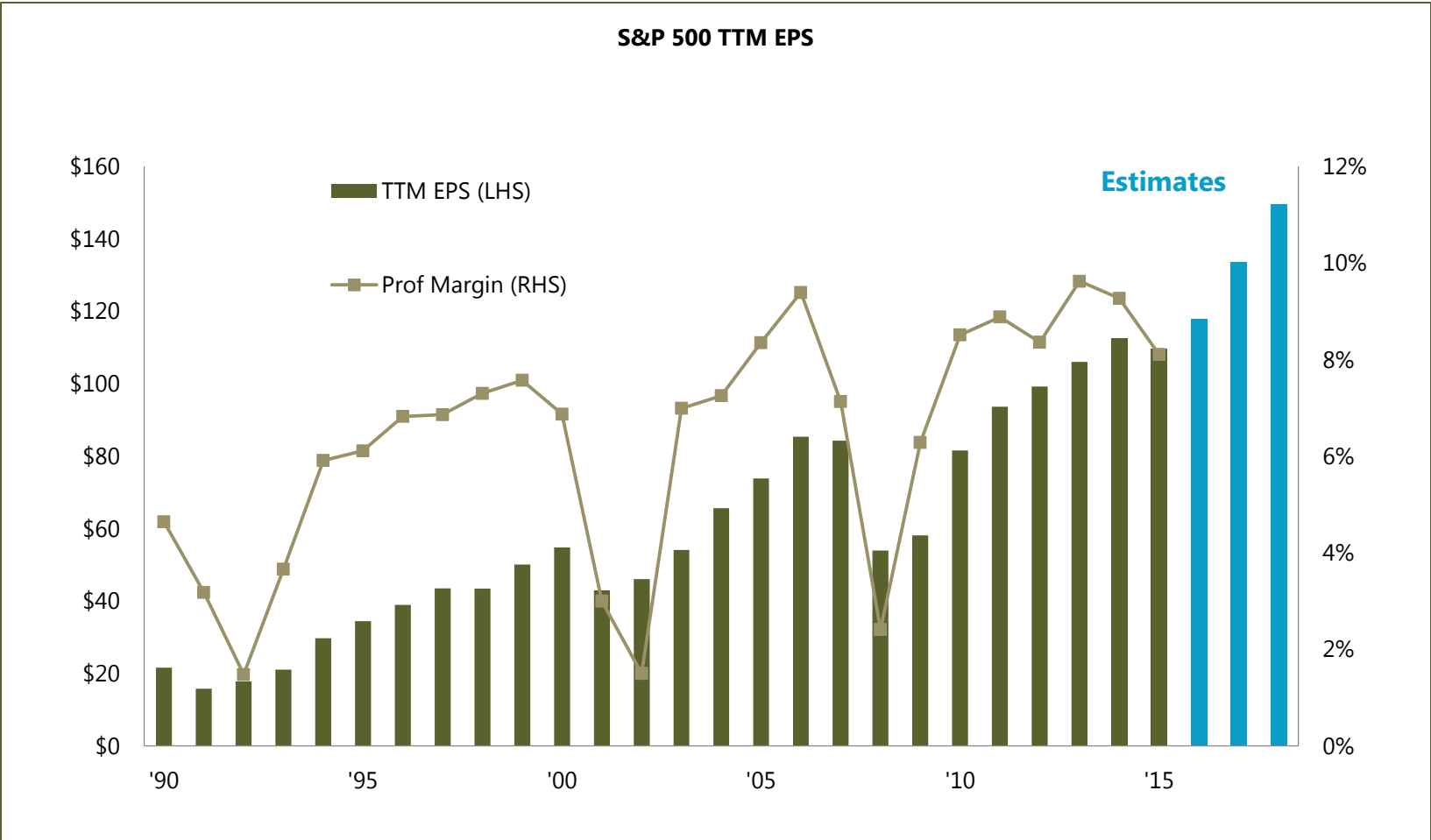
Domestic Valuation Ratios

Earnings, Cash Flow, and Book Value valuation multiples have marginally increased since 1Q16. Dividend yields fell as other valuation metrics rose.



S&P 500 EPS and Profit Margins

Depressed global growth and geopolitical risk have weighed heavily on 2016's earnings. Profit margins continue to contract from 2013's high. FY16 earnings have fallen considerably, down to an estimated \$117.76/share.



Source: Bloomberg, estimates a/o 07/06/2016

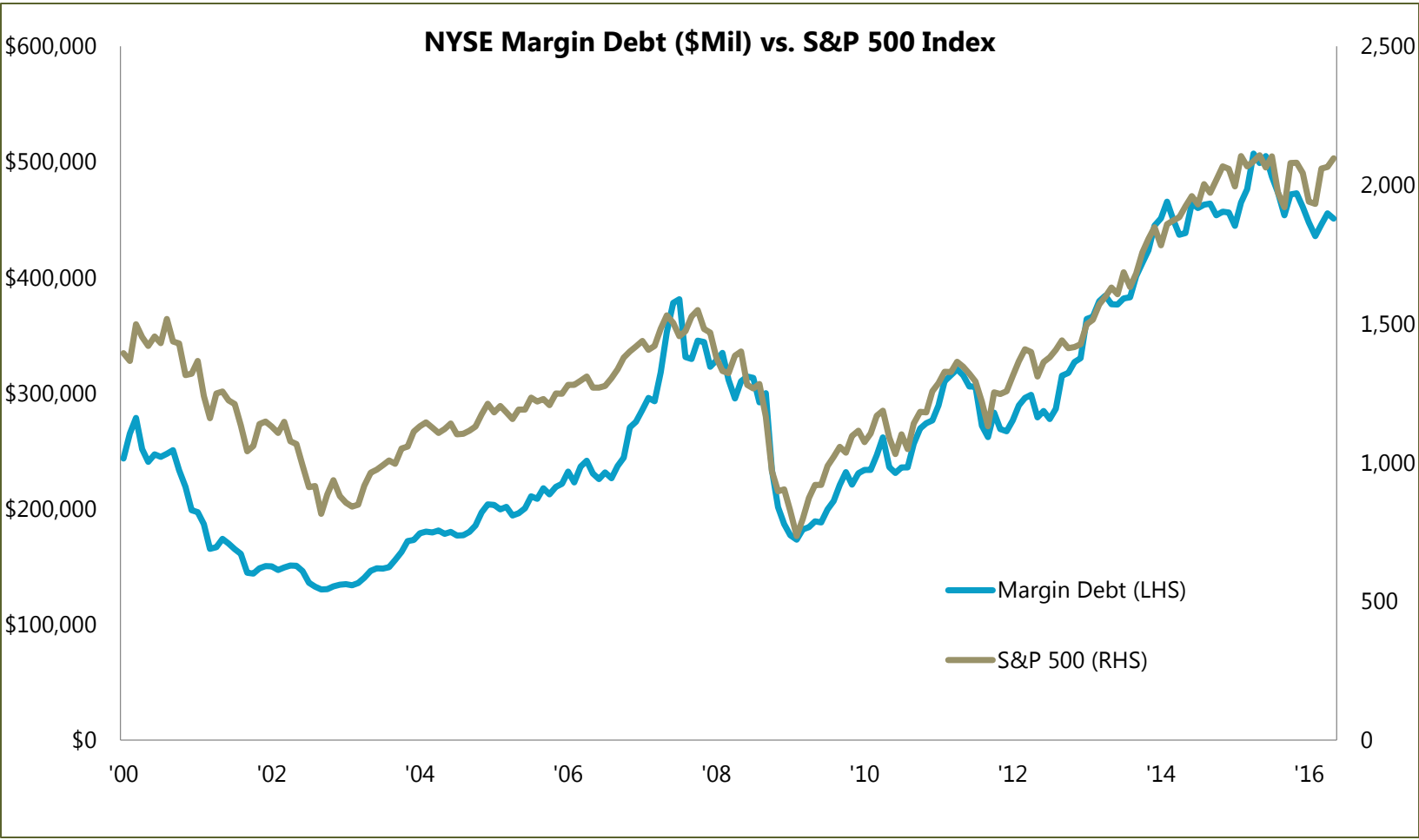
Current Sector Valuations

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. Yields have fallen for all sectors except for Health Care, Consumer Discretionary, and Financials. Utilities continue to look rich.

<u>S&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>
Energy	XLE	44.3	1.9	EXPENSIVE	Fairly Valued	3.1%
Consumer Staples	XLP	23.2	5.6	Getting Exp	Fairly Valued	2.5%
Health Care	XLV	20.9	3.8	Fairly Valued	Fairly Valued	1.7%
Utilities	XLU	19.7	2.0	EXPENSIVE	Getting Exp	3.2%
Consumer Discretionary	XLY	19.5	4.8	Fairly Valued	EXPENSIVE	1.7%
Tech	XLK	19.2	4.0	Fairly Valued	Fairly Valued	1.7%
Materials	XLB	18.0	3.5	Fairly Valued	EXPENSIVE	2.3%
Industrials	XLI	17.5	4.0	Fairly Valued	Getting Exp	2.3%
Telecoms	VOX	16.5	3.1	Fairly Valued	Fairly Valued	4.2%
Financials	XLF	14.9	1.3	Fairly Valued	Fairly Valued	2.4%

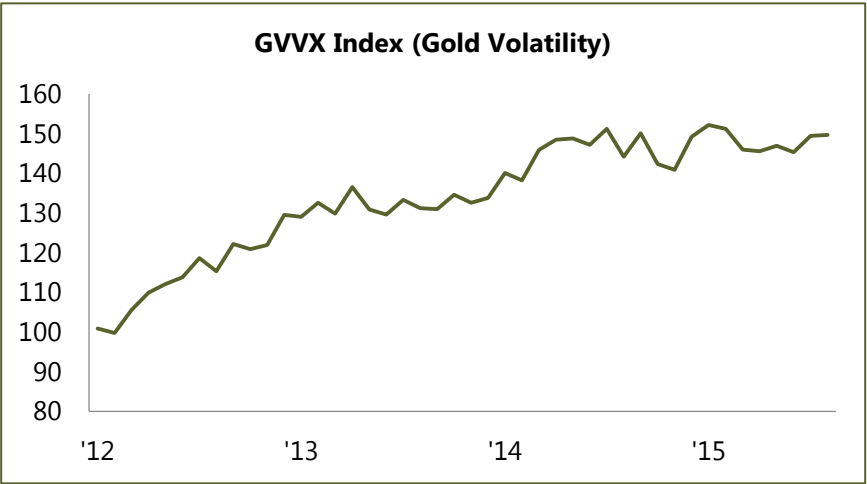
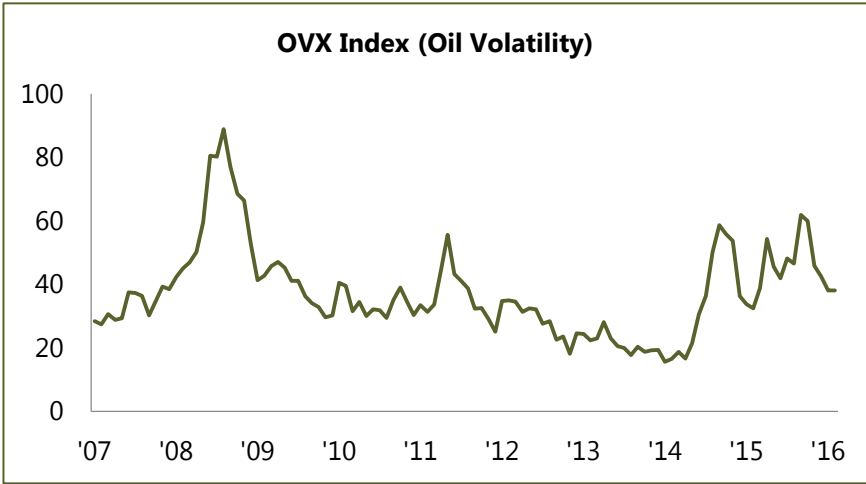
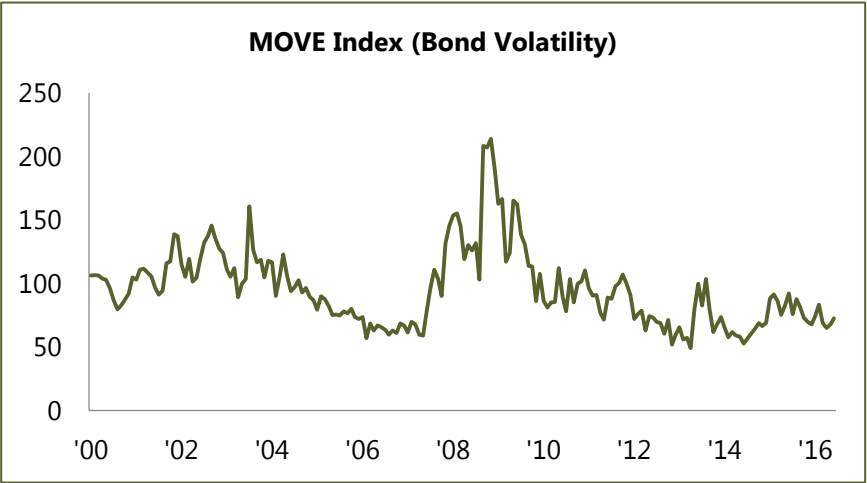
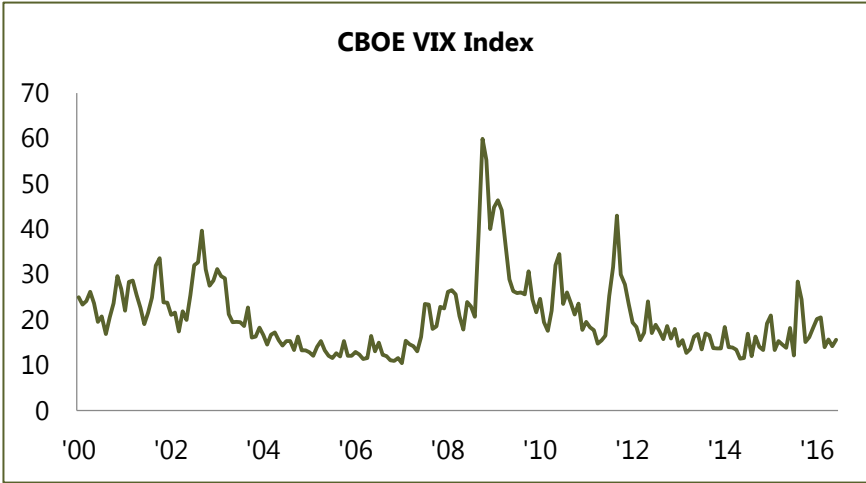
Equity Margin Debt

Although investors added margin debt over the past quarter, overall levels of debt are in a declining trend. The correlation of Margin Debt to the performance of the S&P 500 continues to be high.



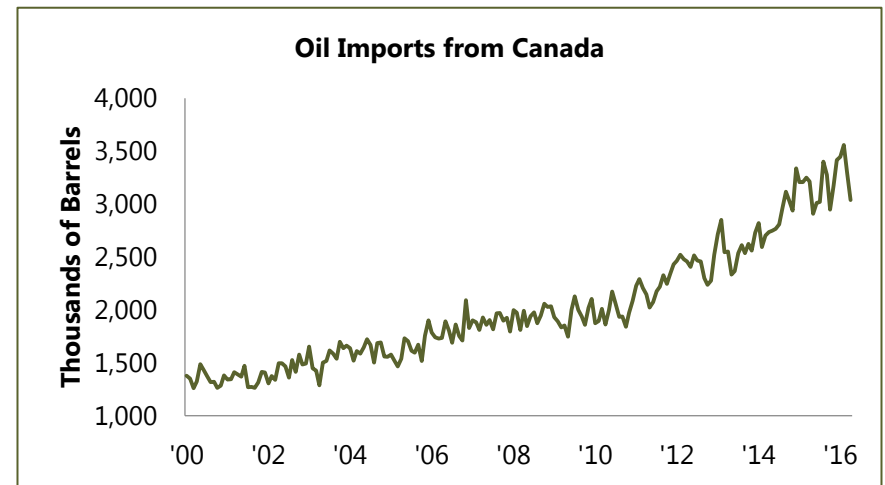
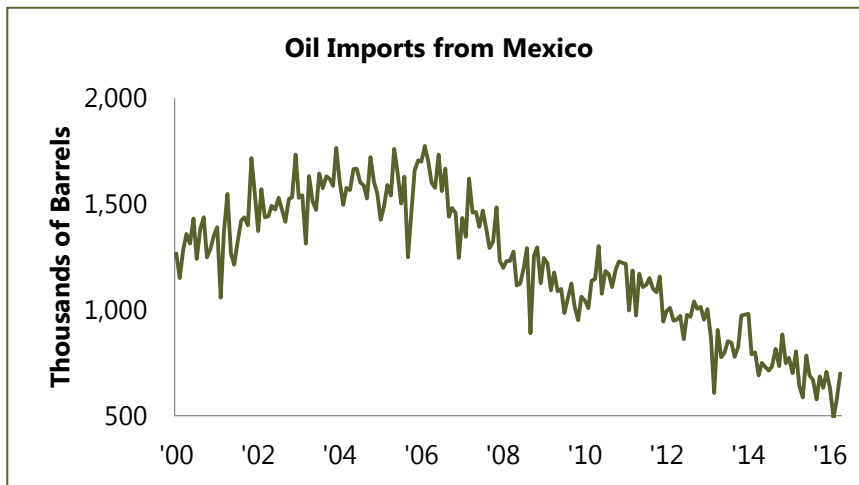
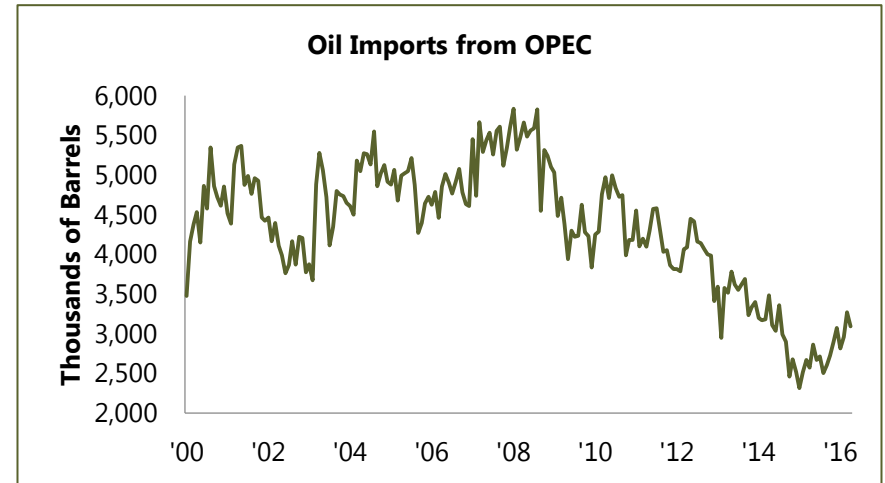
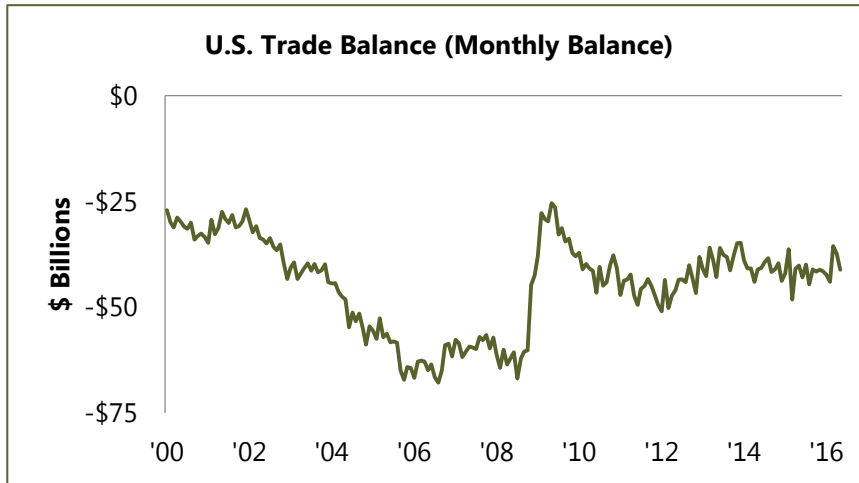
Volatility Monitor

Bond, Gold, and Oil Volatility remain elevated, while Equity volatility remains below its historical average.



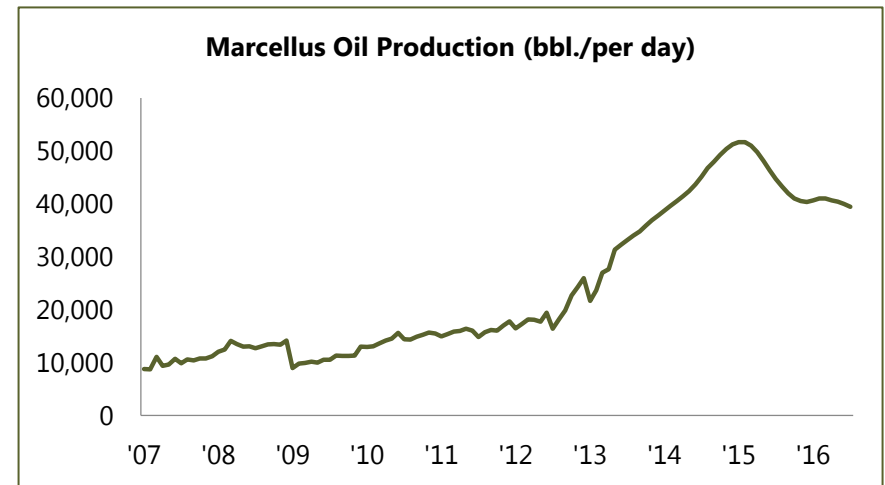
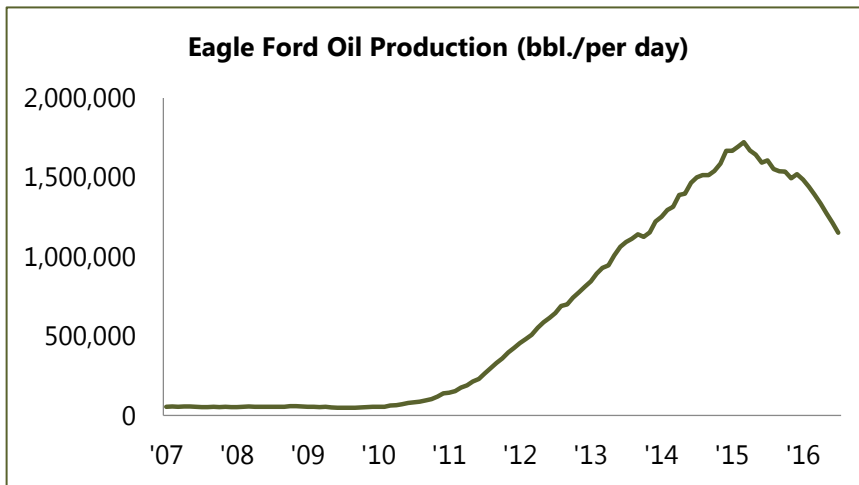
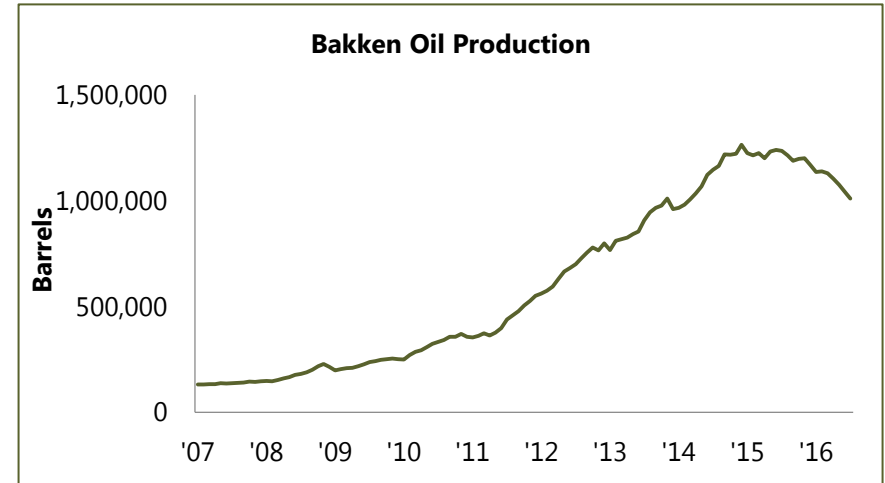
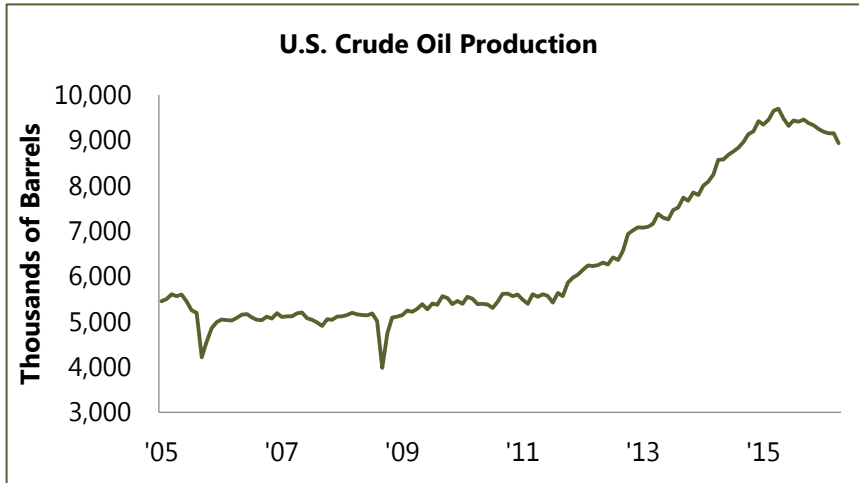
U.S. Oil Imports & Trade Balance

The U.S. Trade Balance widened from last quarter on the back of a stronger U.S. Dollar. Imports of Oil are rising as high-cost producers scale back production while demand for oil persists. Wildfires in Alberta also contributed to the reduction in Canadian oil imports, with other global supply shifts affecting Oil Prices.



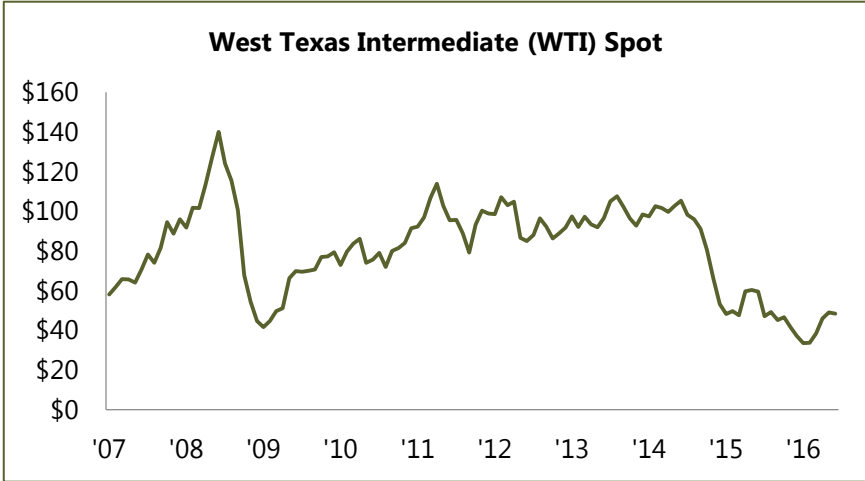
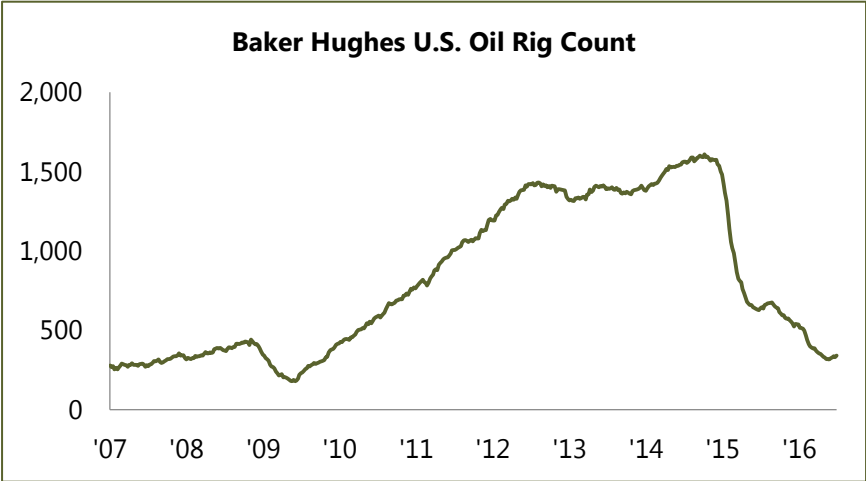
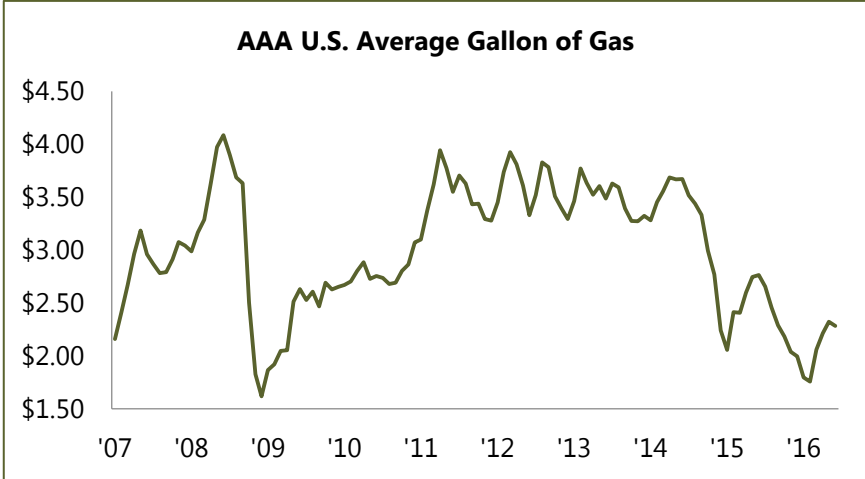
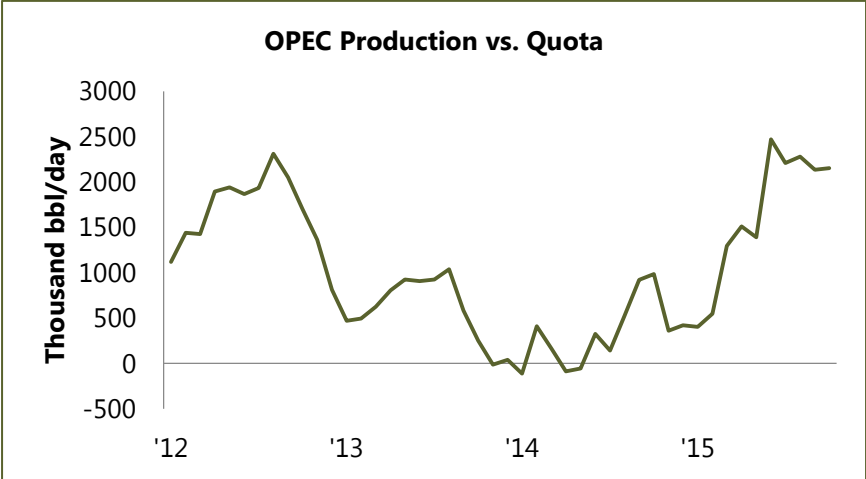
Domestic Daily Oil Production

U.S. Oil Production has declined from April 2015's high of 9.6 million barrels a day to 8.9 million barrels a day at the end of the second quarter. High-cost producers continue to scale back drilling operations over fears of a sustained low-price environment.



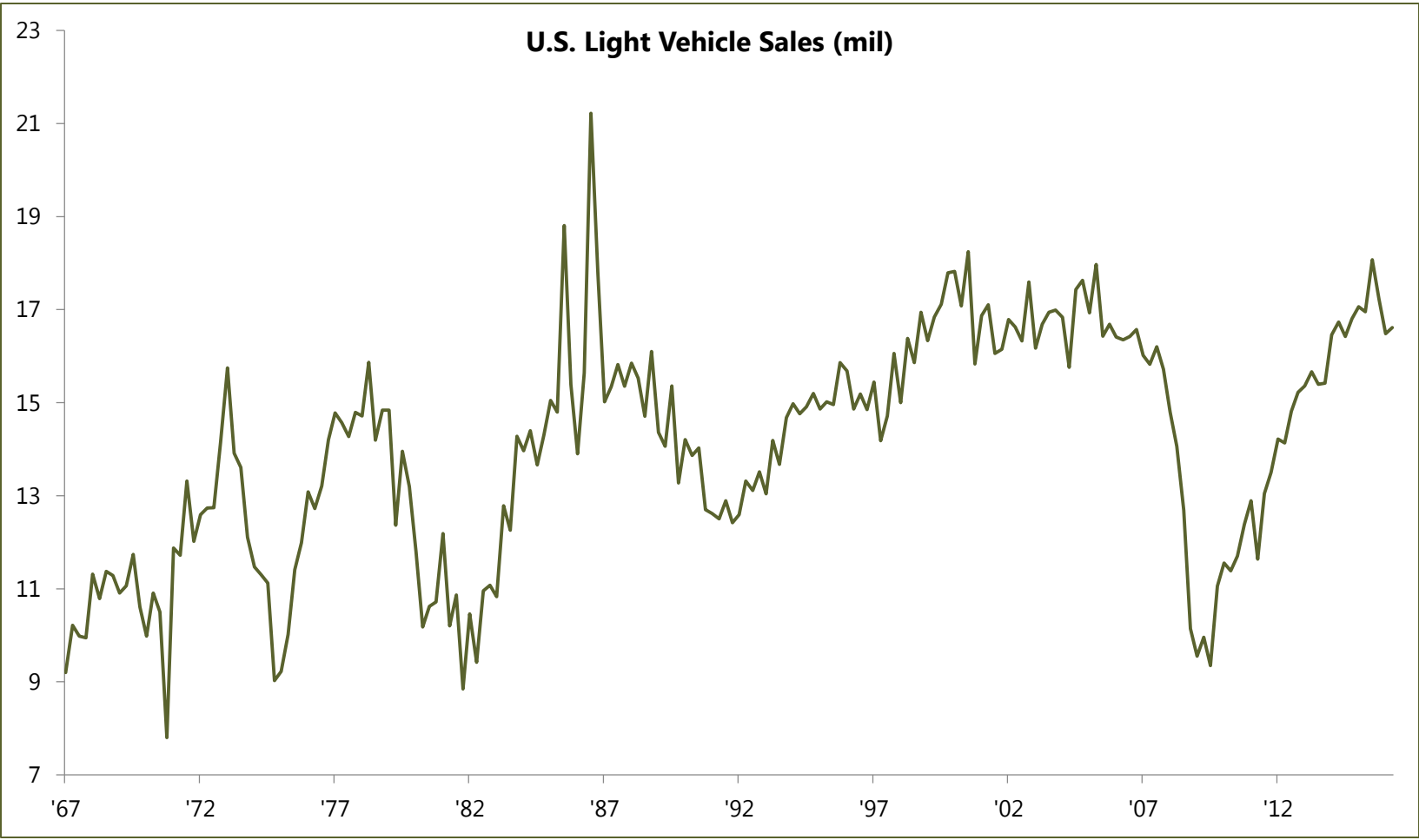
Oil Prices vs. Rig Counts

Gas prices cautiously ticked upward towards the end of the quarter as oil prices continued to rise from February 11th lows. The U.S. Rig Count declined Q/Q, but has increased from this quarter's lows. New rig technology allows for rigs to come online quicker than ever before, giving companies the ability to respond to increasing oil prices at a much faster rate.



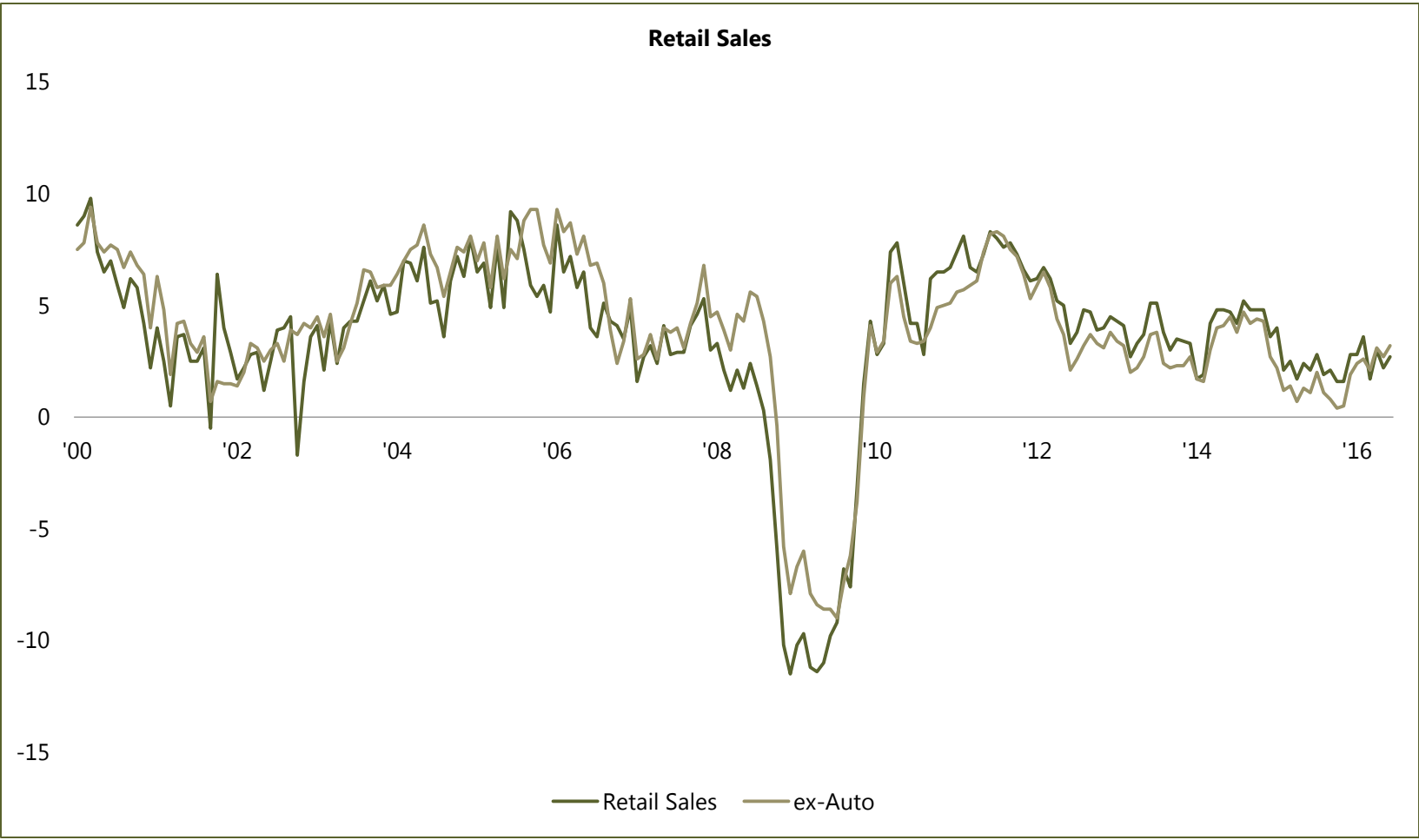
Auto Sales

Auto Sales have slightly increased over the last quarter, with expectations for sales to remain elevated in 2016.



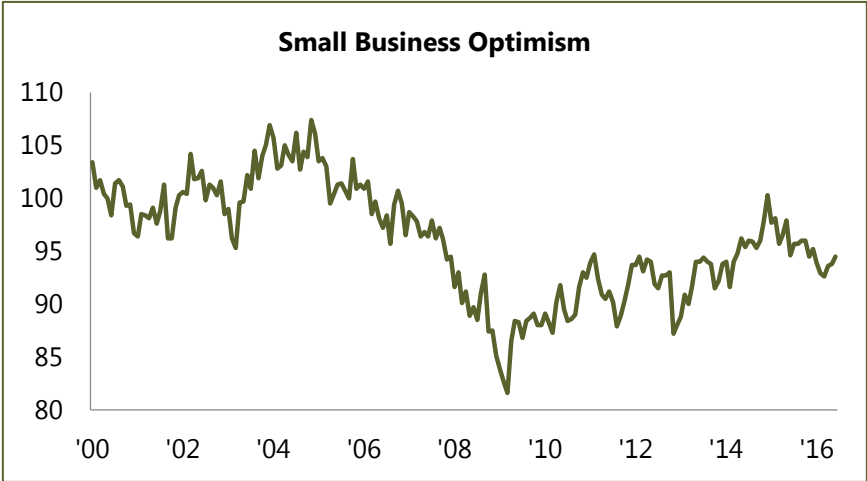
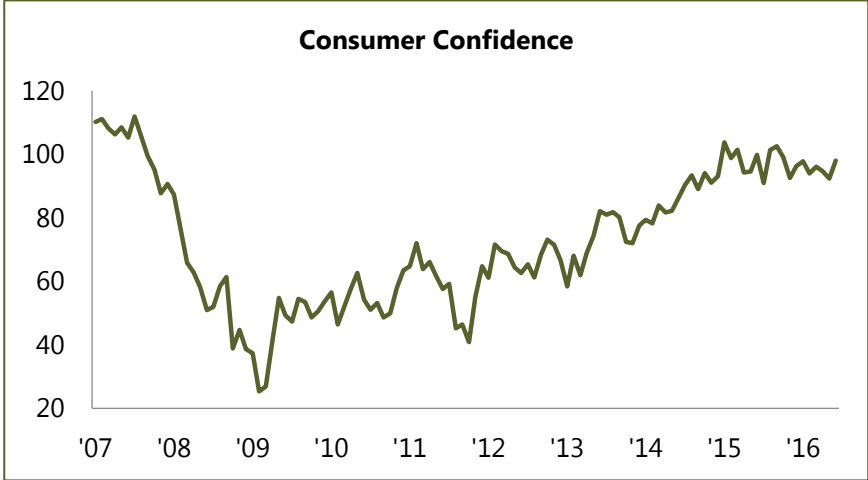
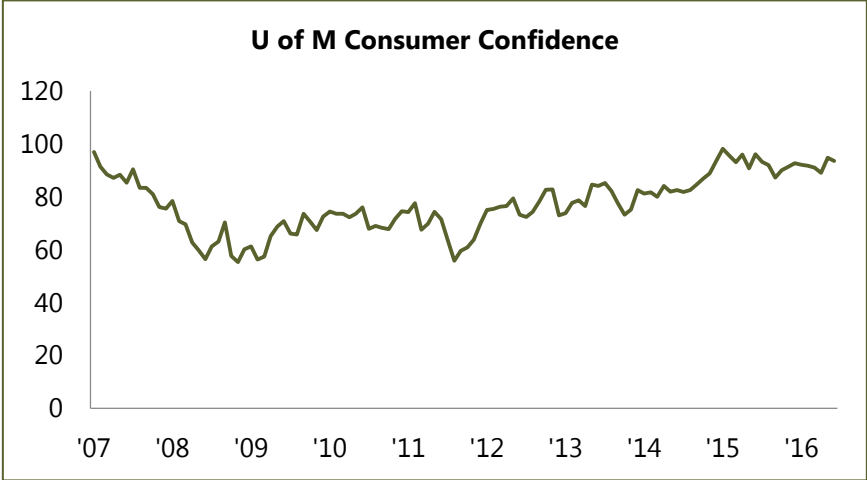
Retail Sales

Retail Sales growth ticked up this quarter, with building materials, sporting goods, hobby, book & music stores adding to retail sales strength. However, gas stations, electronics stores, and department stores experienced declines in retail sales.



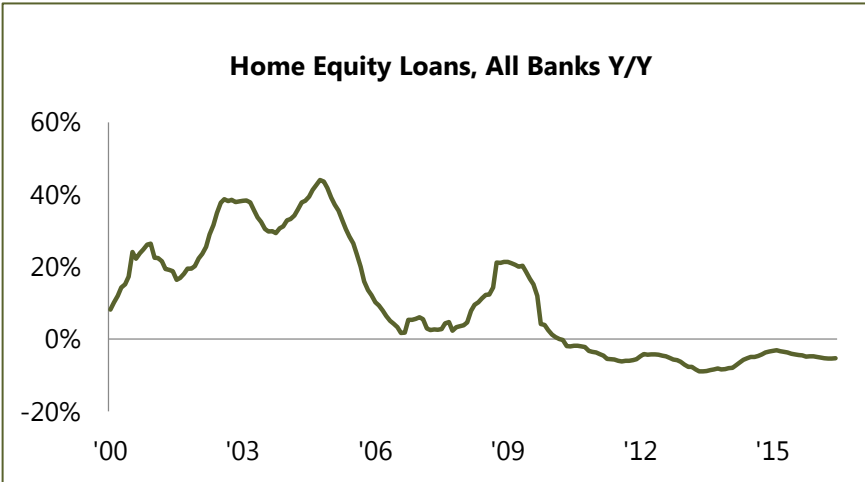
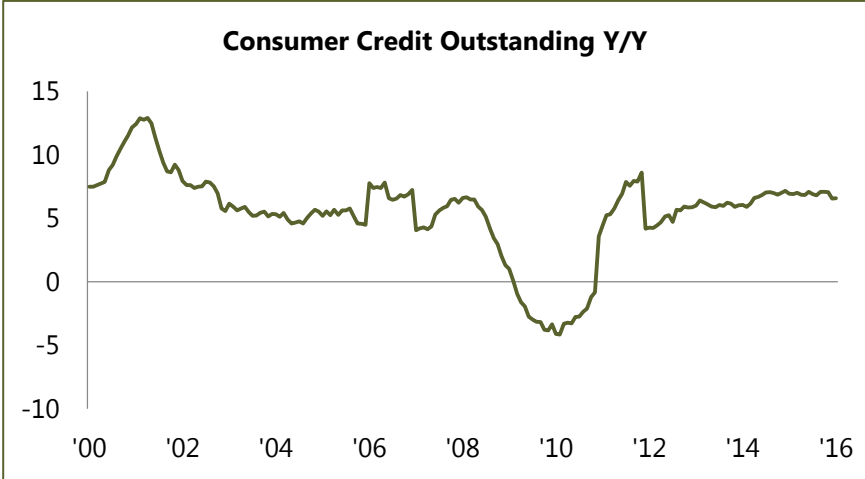
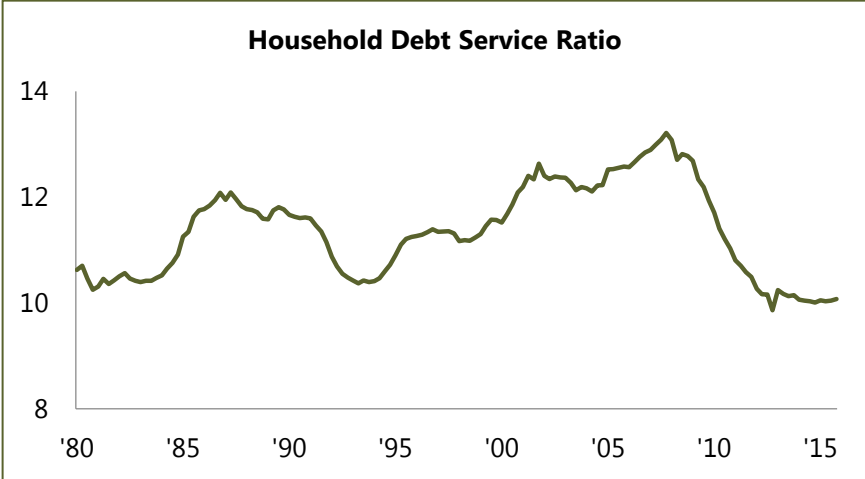
Measures of Confidence

Confidence Surveys have shown relatively positive results over last quarter, with University of Michigan Confidence, Consumer Confidence, and Small Business Optimism trending higher. CEO confidence ticked lower, maintaining the downward trend.



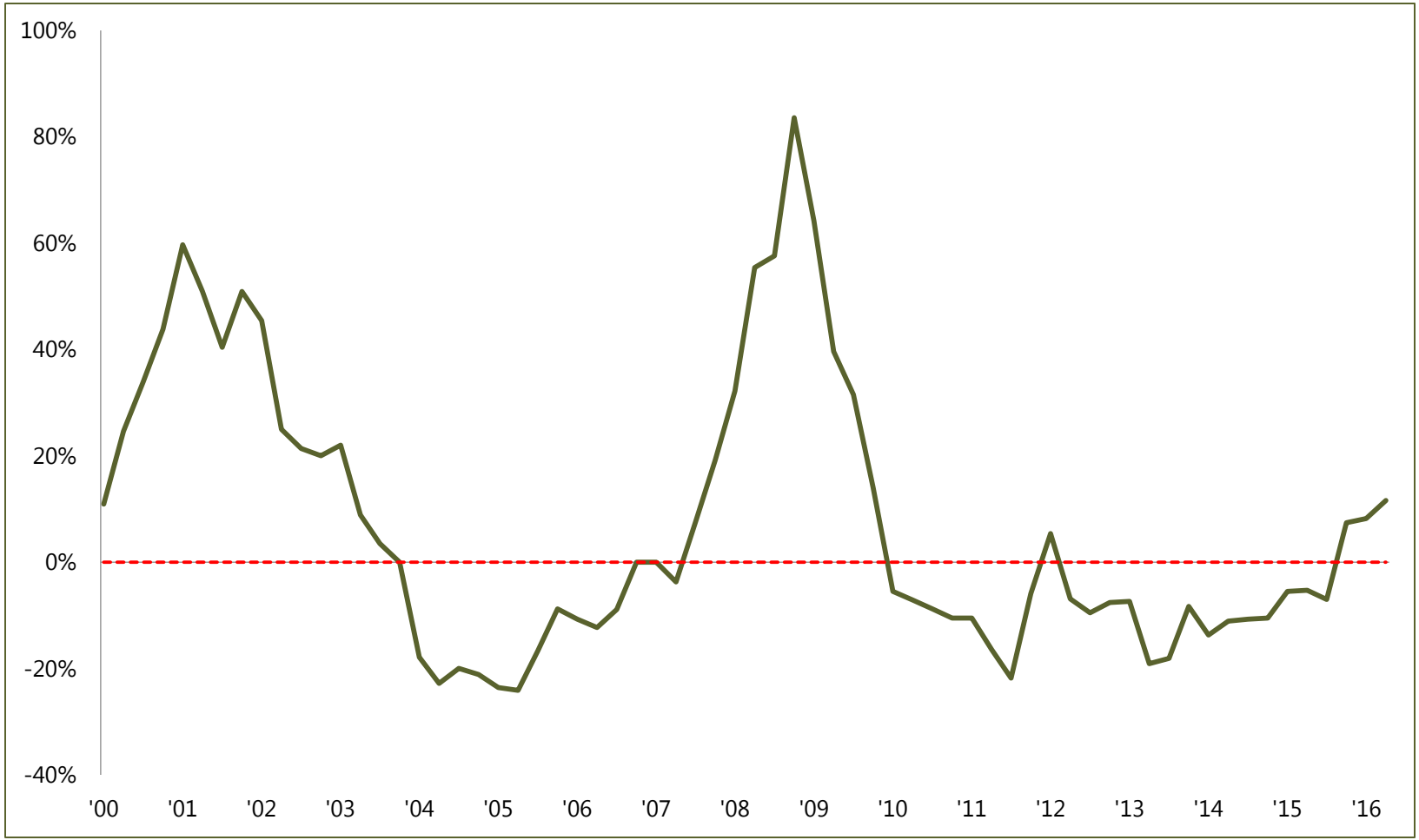
Consumer's Balance Sheets

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 in place since shortly after the last recession.



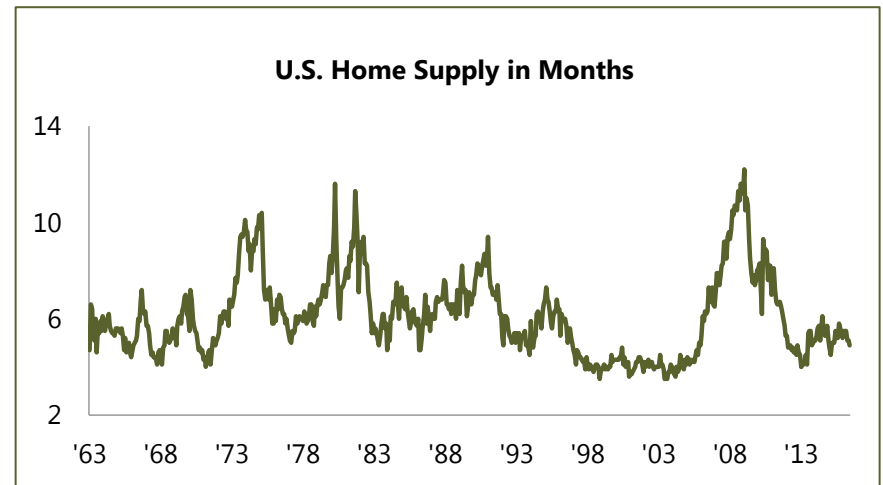
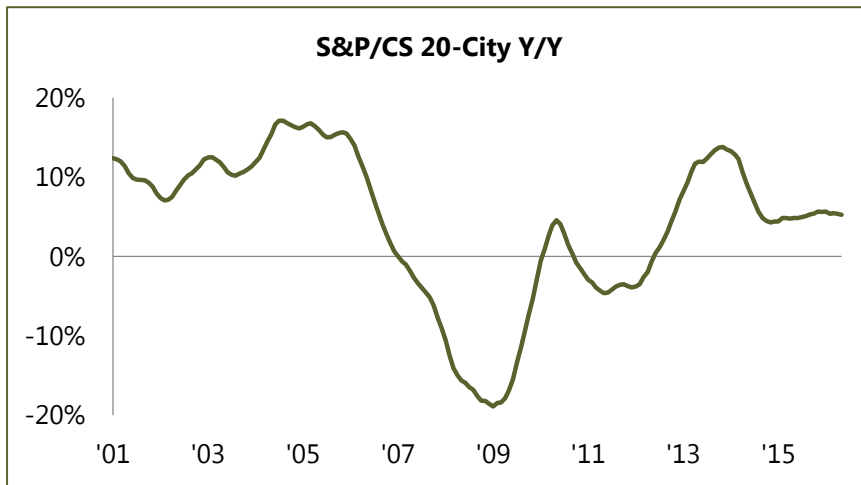
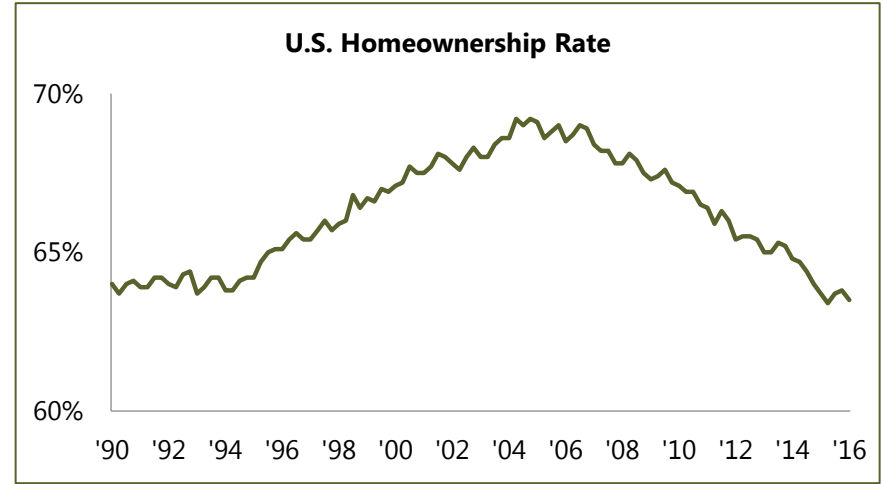
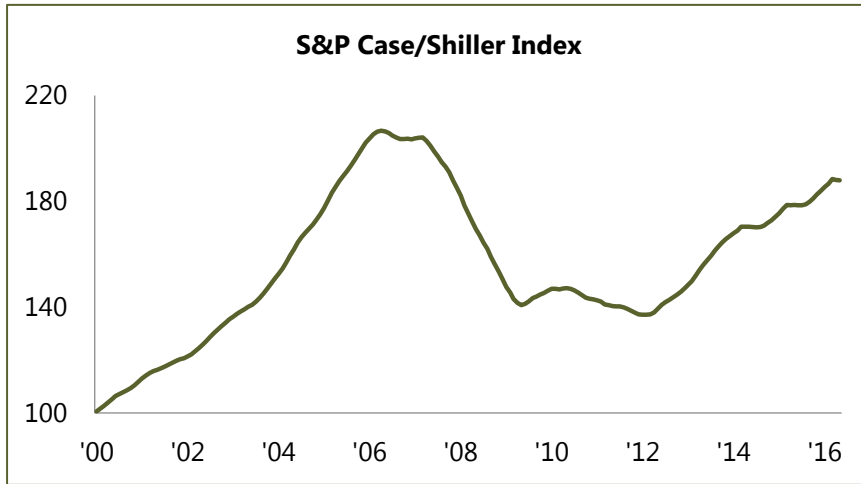
Lending Standards Have Tightened

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



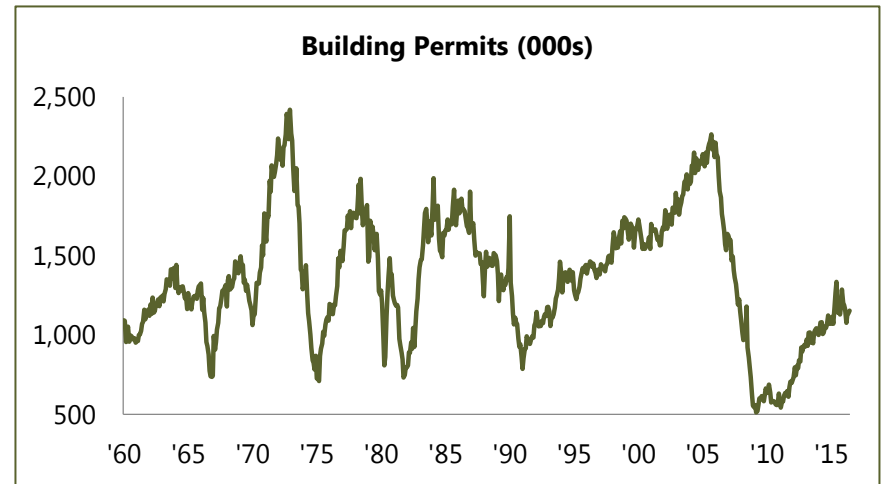
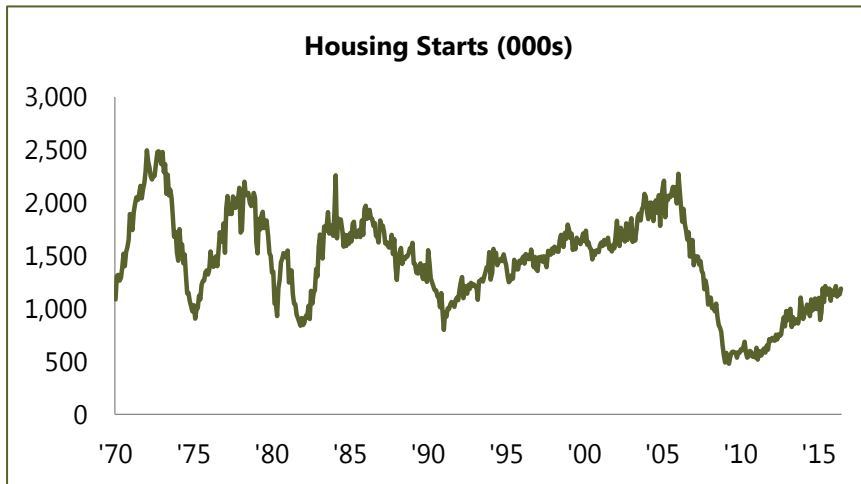
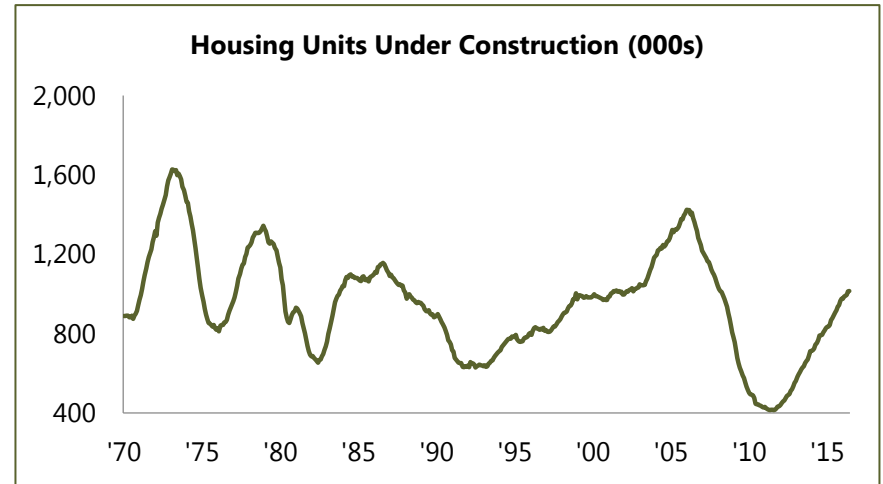
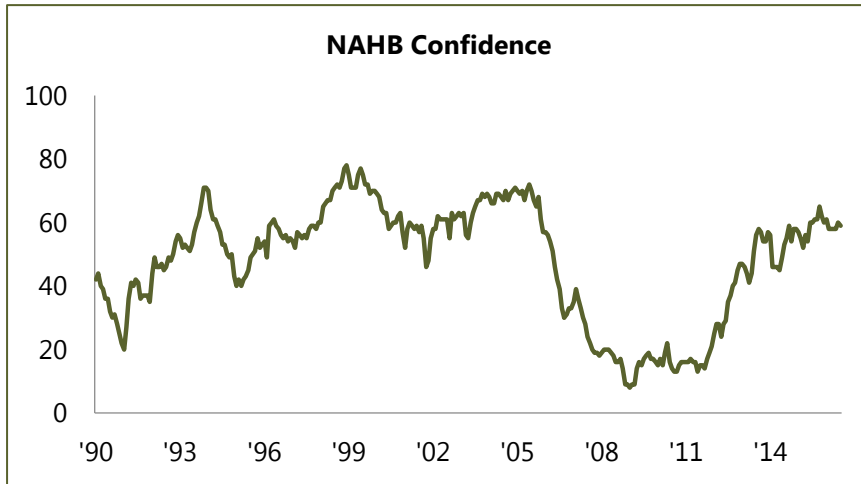
Housing

As consumers continue to move from rural to urban areas, housing prices in cities continue to climb. The U.S. Homeownership Rate fell slightly, and home supply continues to trend downward.



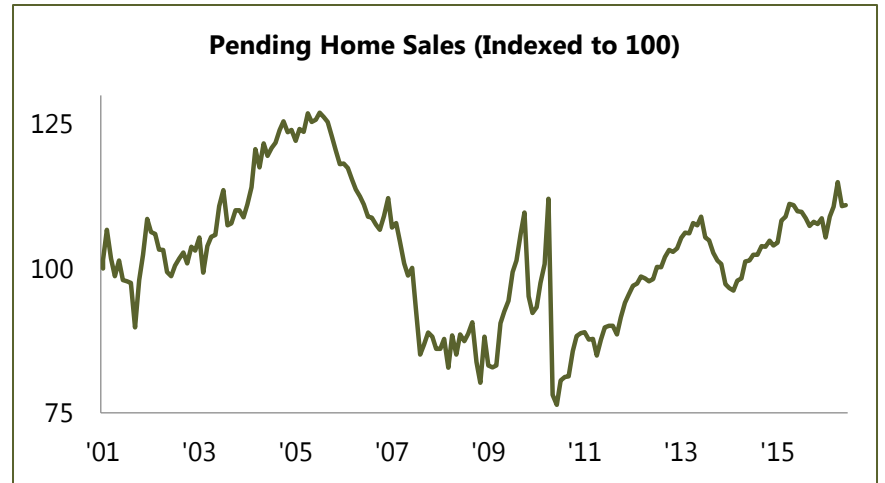
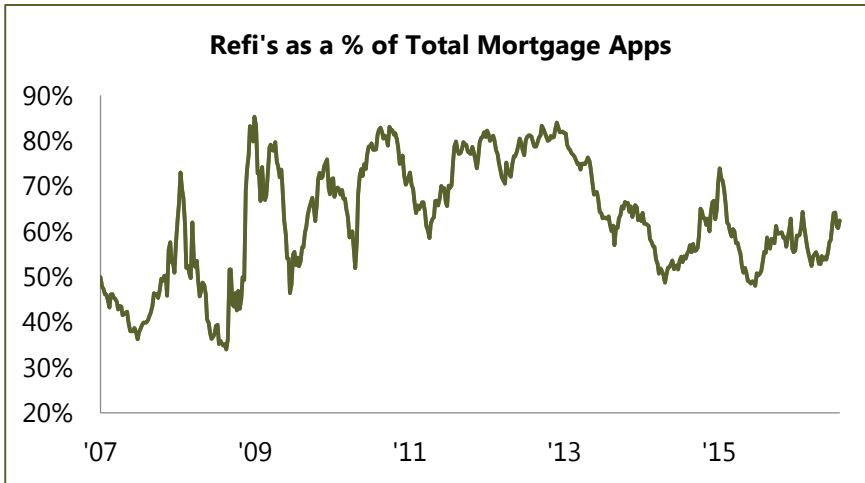
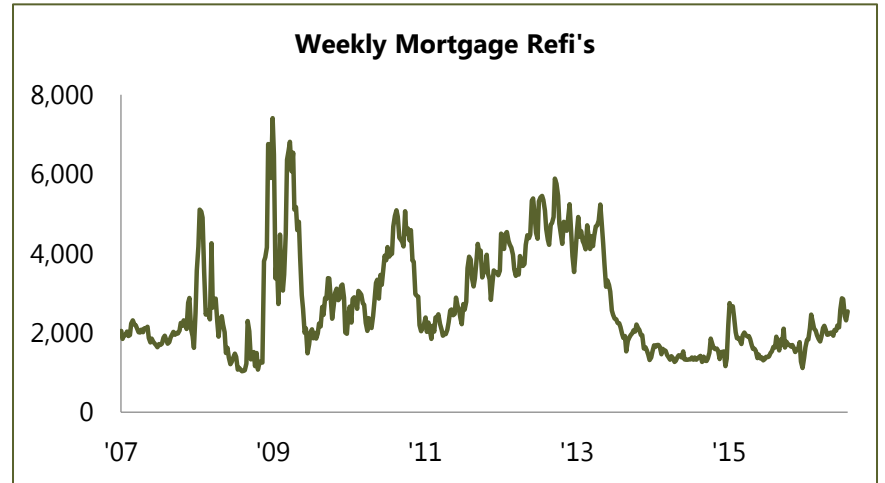
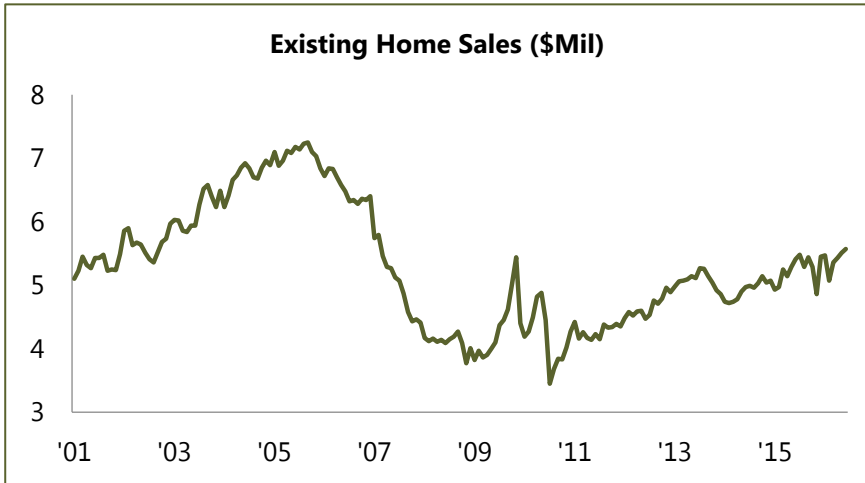
Housing

Homebuilder Confidence rose slightly over the quarter, with increases in housing units under construction, starts, and building permits.



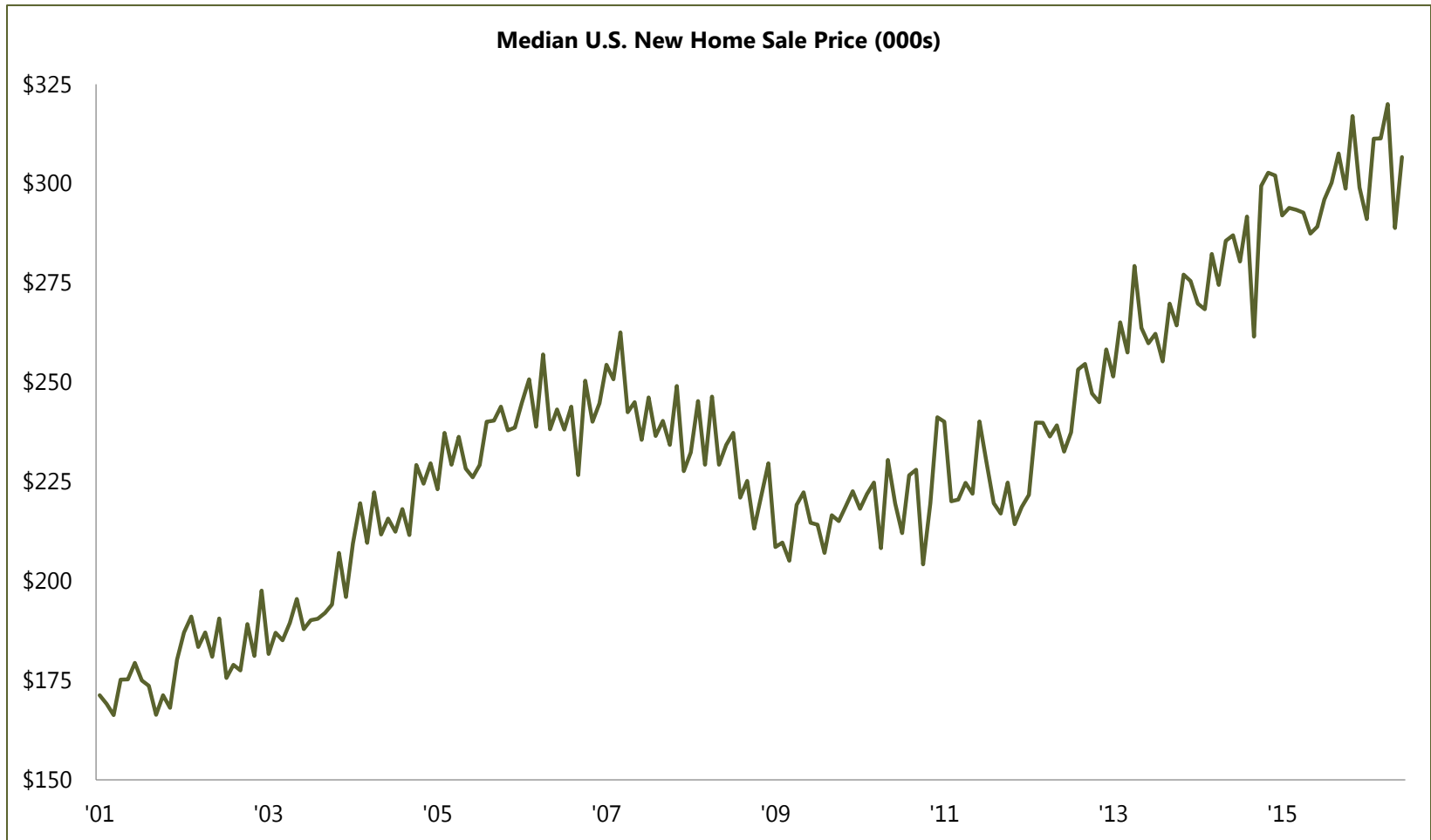
Housing

Mortgage refinancing has fallen as consumers have already rushed to refinance before interest rate hikes could make financing homes much more expensive. Existing and Pending home sales continue to trend higher.



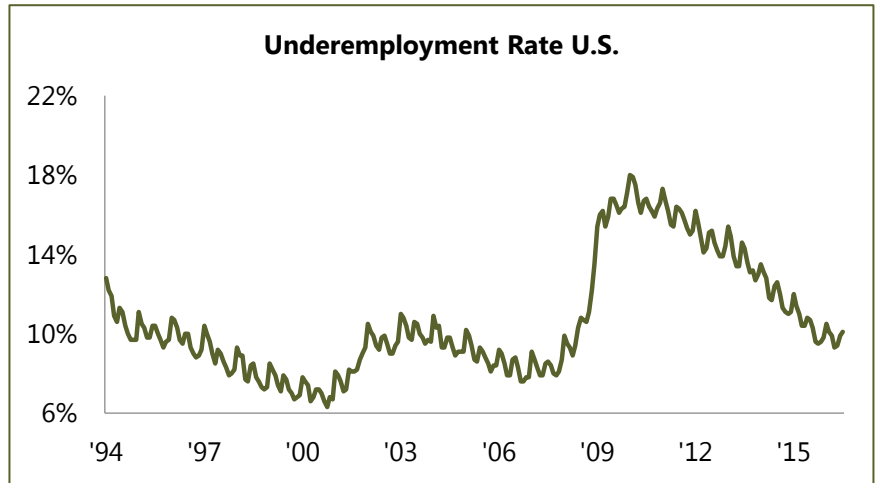
Housing

Home prices have fallen off April's highs, but the trend of rising home prices still continues. Prices should generally rise as demand outpaces supply. Median home prices have grown almost +50% since October of 2010.



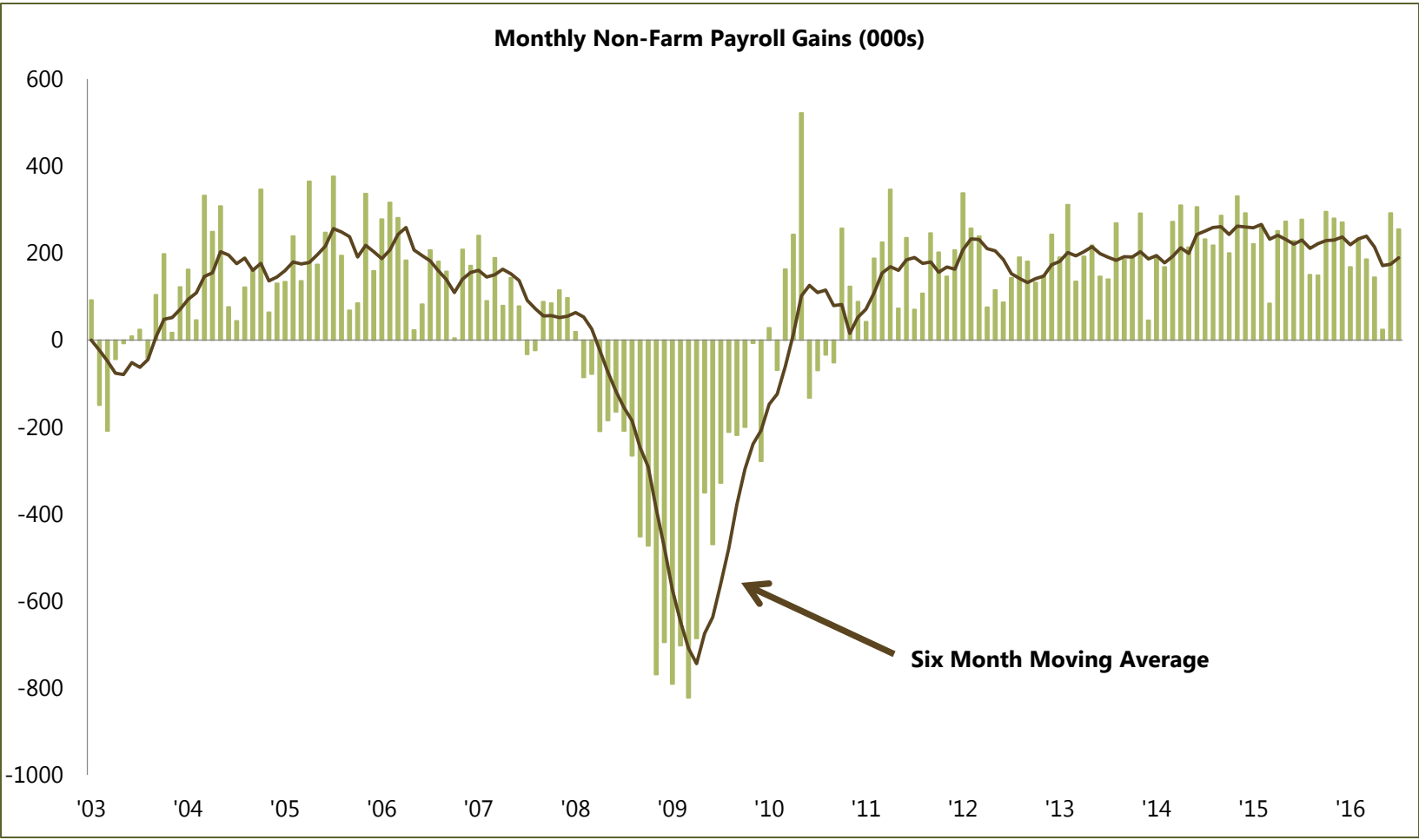
Labor Market Conditions

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



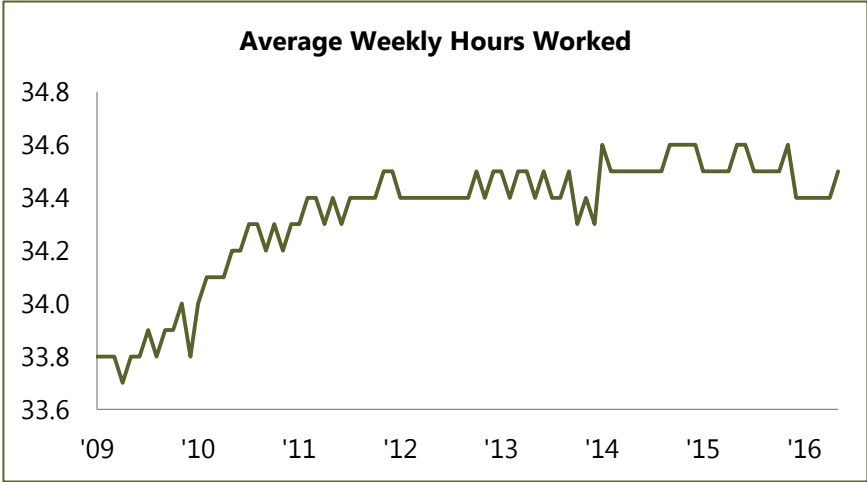
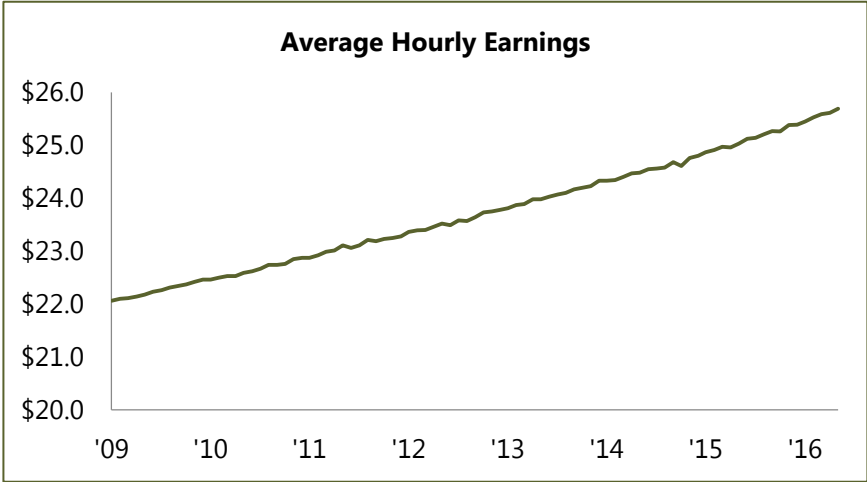
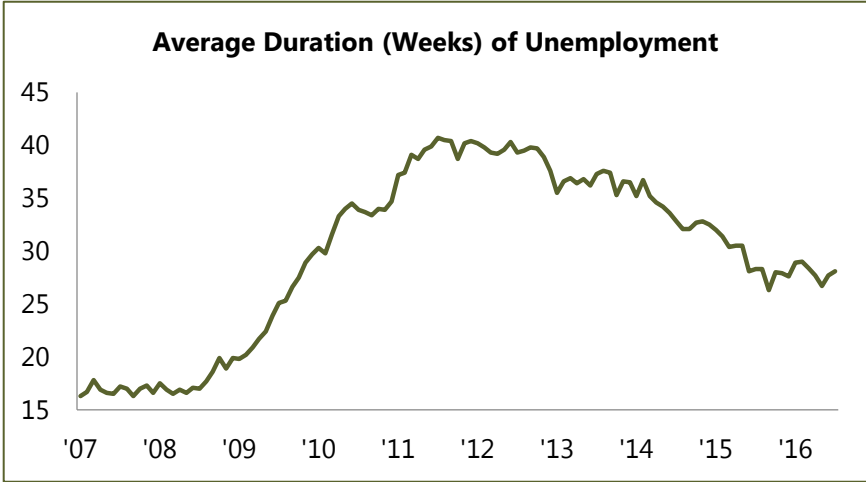
Labor Market Conditions

Additions to Non-Farm Payrolls have fallen over the past quarter, with the 6 month moving average down to +189k. In May, Non-Farm additions were only +24,000, the weakest gain in over 5 years, while June exhibited +292,000 additions.



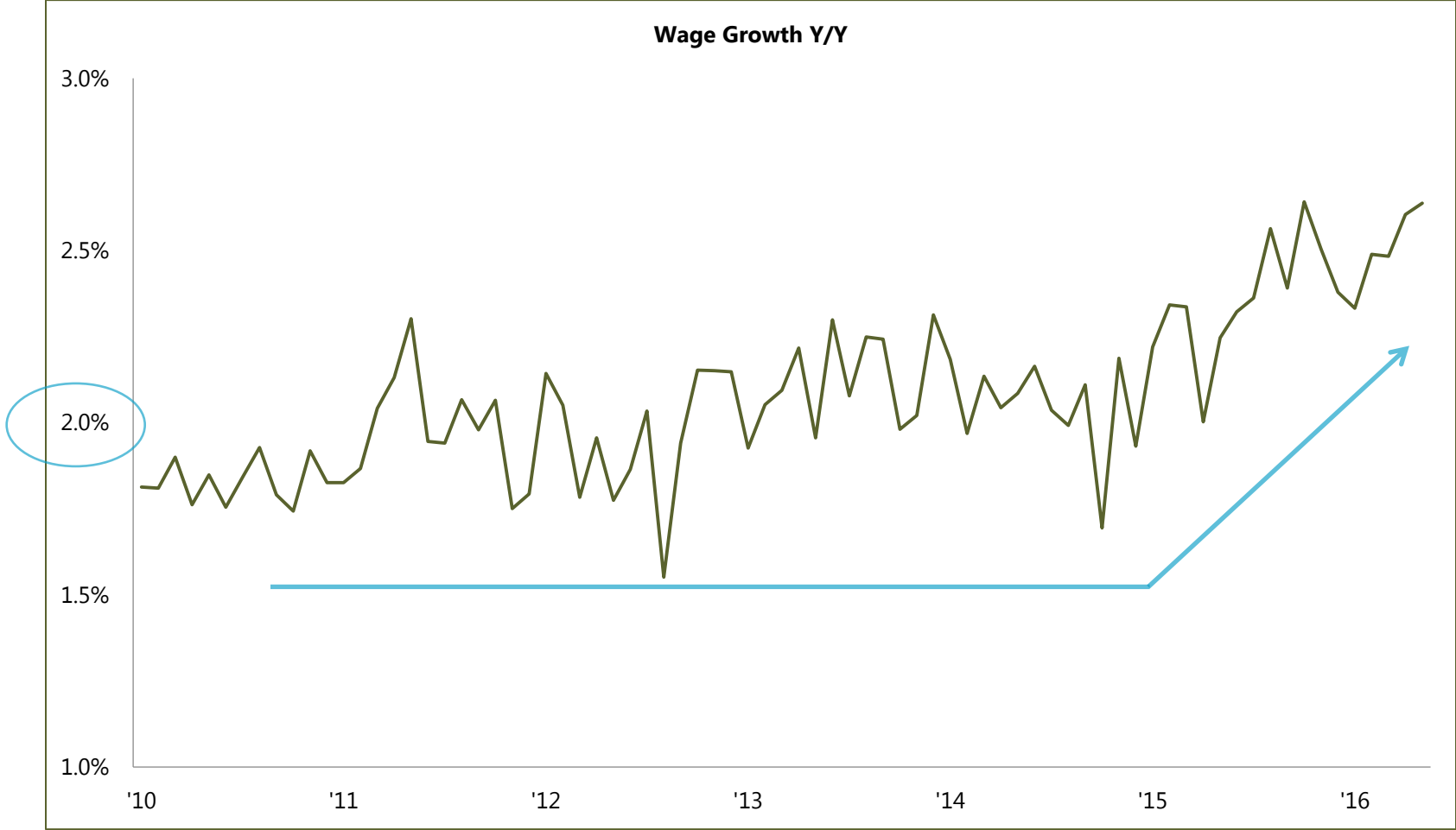
Labor Market Conditions

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.



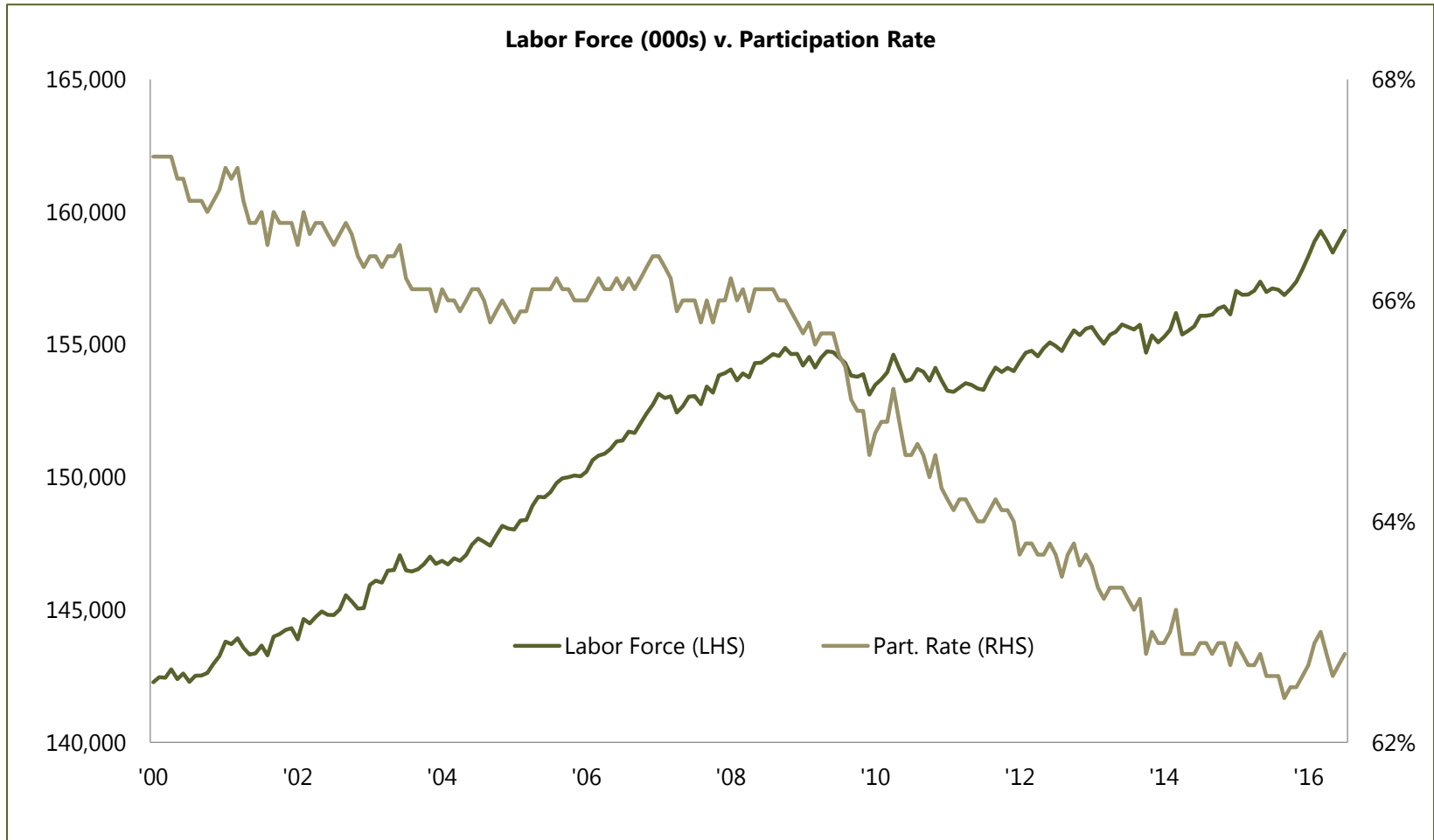
Labor Market Conditions

Accelerating wage growth bolsters the argument of the labor market reaching full employment. Wage growth has been accelerating, reaching +2.6% in June, but remains below the +3-4% Y/Y wage growth experienced pre-financial crisis.



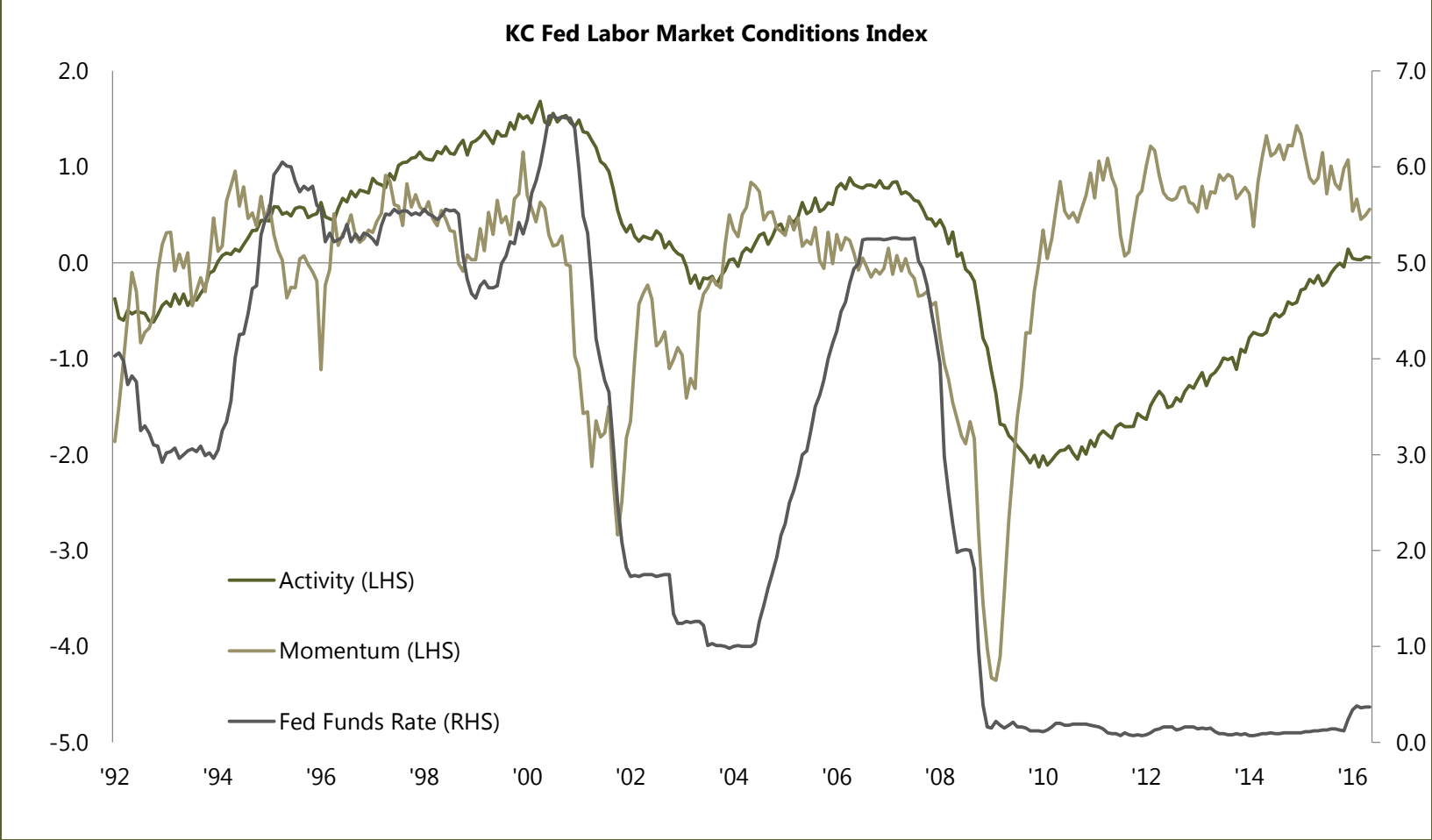
Labor Market Conditions

The Labor Force continues to grow in size, while the Participation Rate has increased off the lows. Greater participation likely points to a tightening labor market.



Kansas City Fed Labor Market Conditions Index

Labor market activity grew last quarter, while momentum fell as the U.S. Labor Force moved towards full employment. However, while both indices are trending towards their long-term averages, activity is now trending above its average.



Fed Funds Futures - Lower For Longer

After a dismal U.S. May Payrolls report, coupled with the uncertainty surrounding the United Kingdom's exit from the European Union, the implied probability for the FOMC to raise interest rates at current levels plummeted. Prior to the May Payrolls report, the odds for a rate increase at July's meeting was over 50%; now, the probability rests at 3.8%.

a/o 7/5/2016	Probability of Hike	Probability of Cut	0-0.25%	0.25-0.5%	0.5-0.75%	0.75-1%
7/27/2016	3.8%	4.1%	4.1%	92.1%	3.8%	0.0%
12/14/2016	11.5%	3.8%	3.8%	84.8%	11.1%	0.3%
2/1/2017	11.2%	5.5%	5.5%	83.2%	10.9%	0.3%
3/15/2017	14.6%	5.3%	5.3%	80.1%	13.9%	0.7%
5/3/2017	14.6%	5.3%	5.3%	80.1%	13.9%	0.7%
6/14/2017	23.6%	4.7%	4.7%	71.7%	21.3%	2.2%
7/26/2017	22.9%	7.0%	7.0%	70.0%	20.7%	2.1%
9/20/2017	28.5%	6.5%	6.5%	65.0%	24.6%	3.6%
11/1/2017	28.5%	6.5%	6.5%	65.0%	24.6%	3.6%
12/13/2017	37.6%	5.6%	5.6%	56.8%	30.3%	6.6%

Source: Bloomberg, as of 7/5/2016

GDP Forecasts

Many economic organizations revised regional & country GDP growth downward from last quarter. Geopolitical and economic risks throughout the world exacerbate economists' pessimistic views of future GDP growth. Given the uncertainty behind the "Brexit" vote, Eurozone GDP forecasts have been revised downward significantly.

		2016		2017		2018	
USA	2015 (A)	Previous	Current	Previous	Current	Previous	Current
IMF	2.4%	2.4%	2.4%	2.5%	2.5%	2.4%	2.4%
FED	2.4%	2.2%	2.0%	2.1%	2.0%	2.0%	2.0%
OECD	2.4%	2.0%	1.8%	2.2%	2.2%	-	-
WOB	2.4%	2.8%	1.9%	2.4%	2.2%	2.2%	2.1%
EC	2.4%	2.7%	2.3%	2.6%	2.2%	-	-

		2016		2017		2018	
Eurozone	2015 (A)	Previous	Current	Previous	Current	Previous	Current
ECB	1.7%	2.4%	1.6%	2.5%	1.7%	2.4%	1.7%
EC	1.7%	2.2%	1.6%	2.1%	1.8%	2.0%	-
OECD	1.7%	2.0%	1.6%	2.2%	1.7%	-	-
IMF	1.7%	2.8%	1.5%	2.4%	1.6%	2.2%	1.6%

		2016		2017		2018	
China	2015 (A)	Previous	Current	Previous	Current	Previous	Current
NPC	6.9%	-	-	-	-	-	-
ADB	6.9%	6.5%	6.5%	6.3%	6.3%	-	-
OECD	6.9%	6.5%	6.5%	6.2%	6.2%	-	-
IMF	6.9%	6.5%	6.5%	6.2%	6.2%	6.1%	6.1%
WOB	6.9%	6.7%	6.7%	6.5%	6.5%	6.5%	6.3%

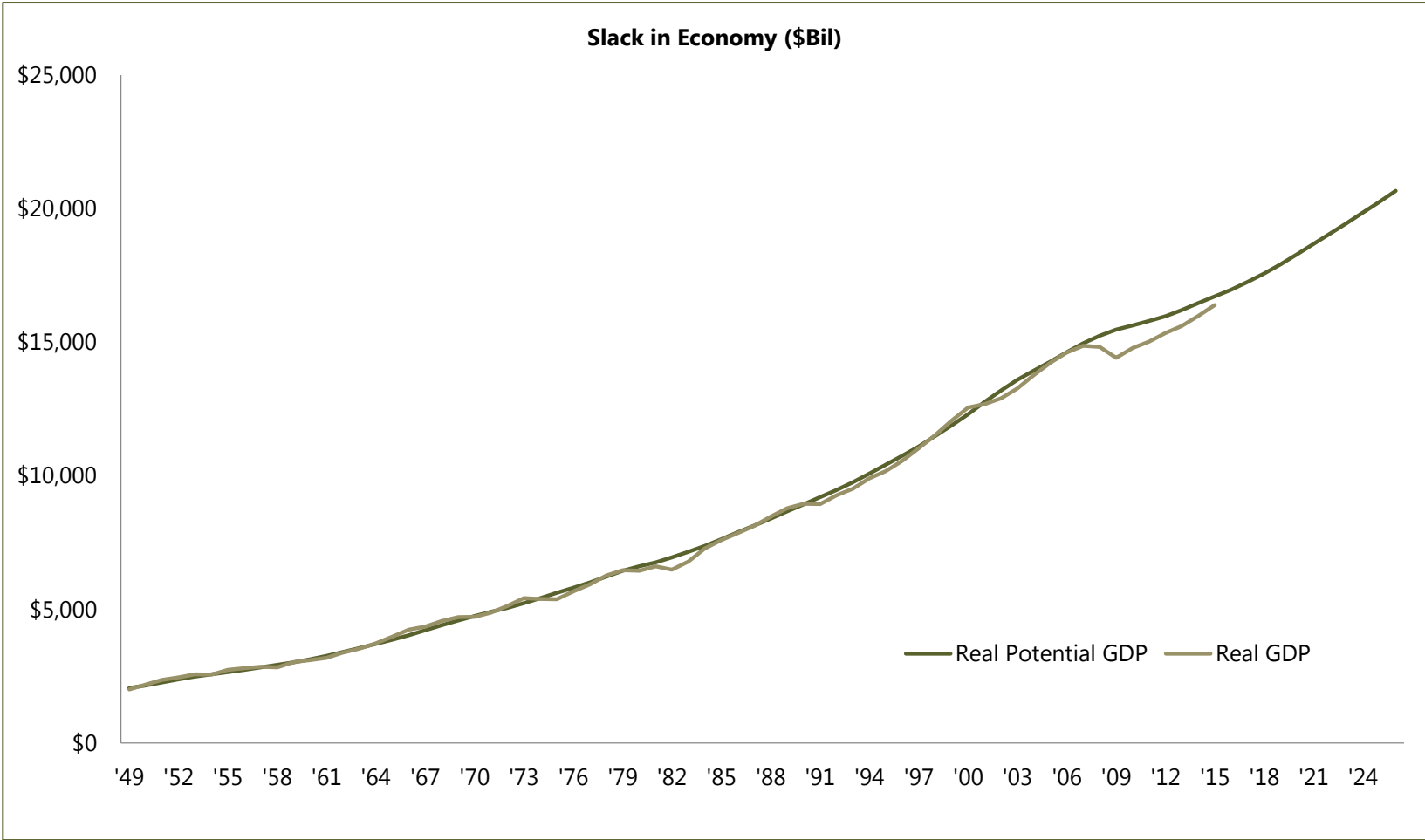
		2016		2017		2018	
Emerg Mkts	2015 (A)	Previous	Current	Previous	Current	Previous	Current
CC	4.4%	4.3%	4.0%	4.9%	4.9%	5.4%	5.2%

		2016		2017		2018	
BRIC	2015 (A)	Previous	Current	Previous	Current	Previous	Current
CC	4.9%	5.1%	4.7%	5.6%	5.5%	5.7%	5.7%

Source: Bloomberg, as of 7/5/2016

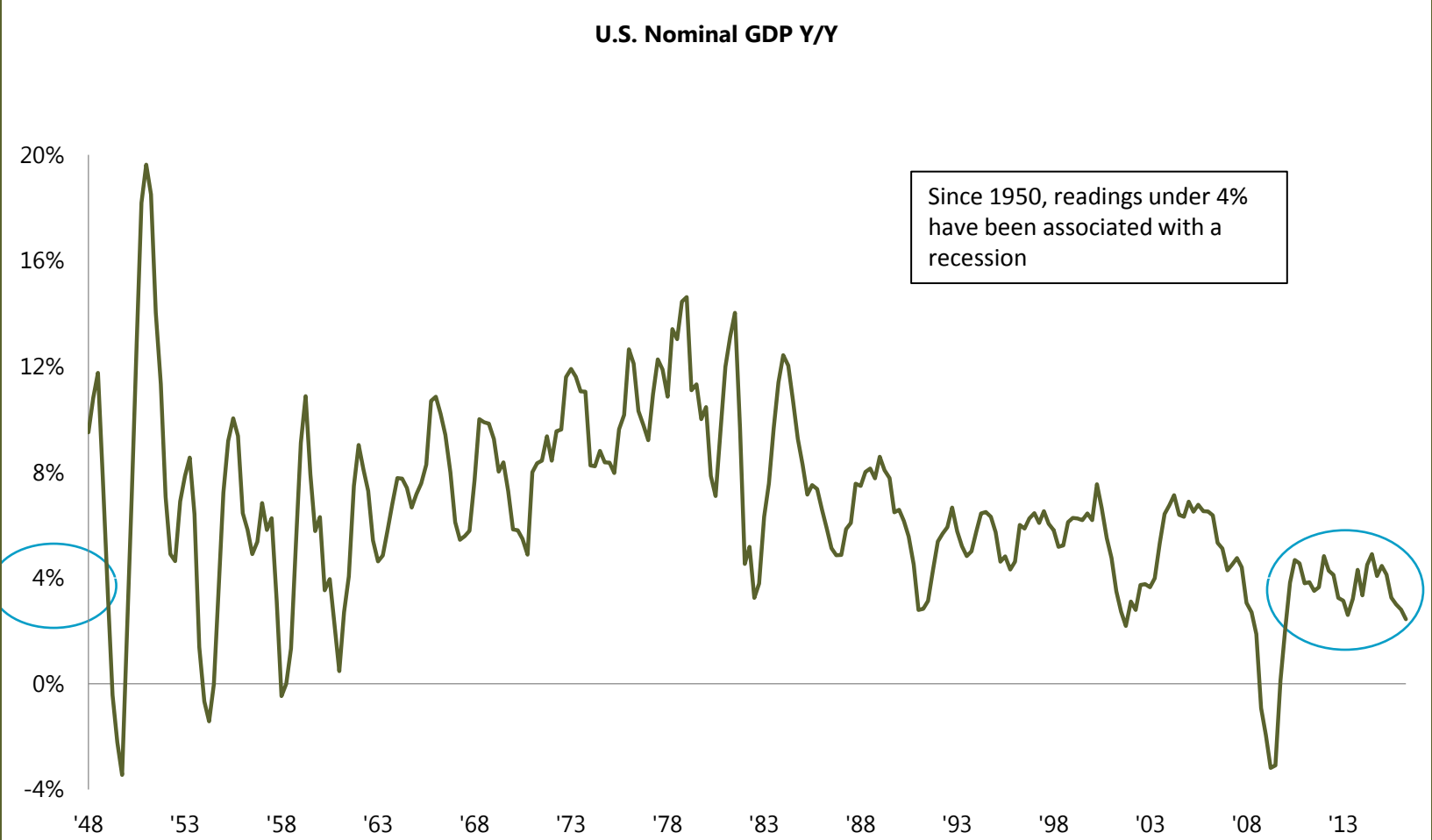
Slack in Economy?

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.



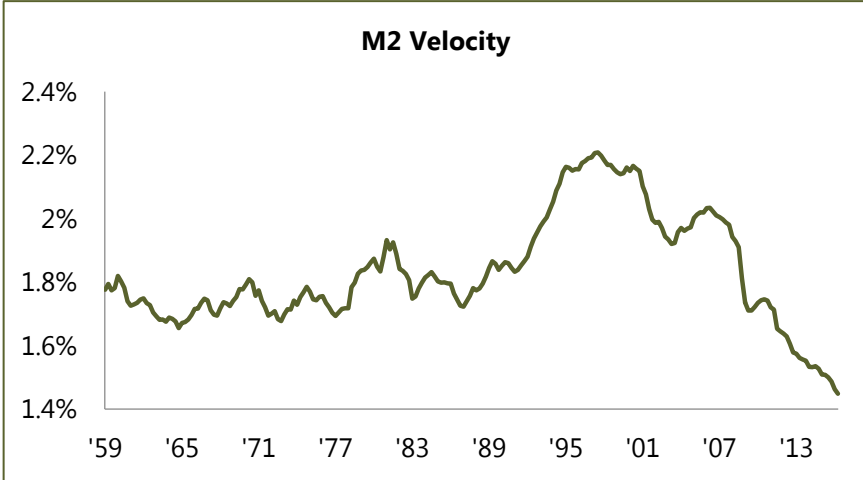
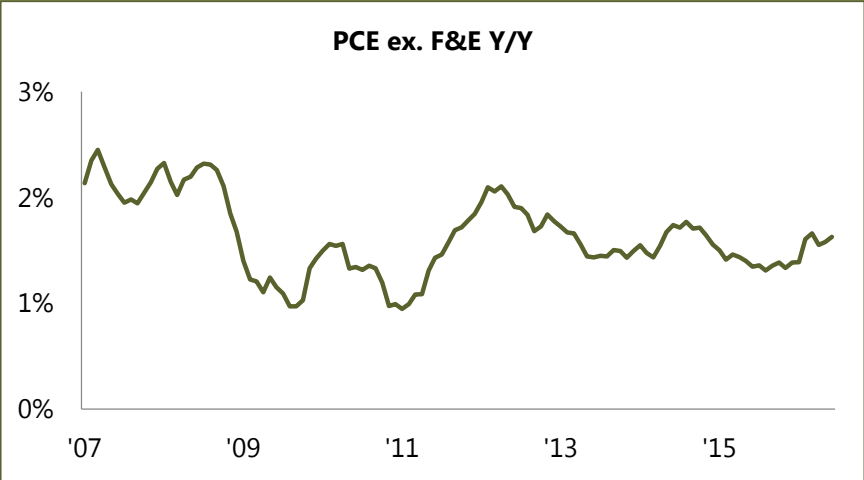
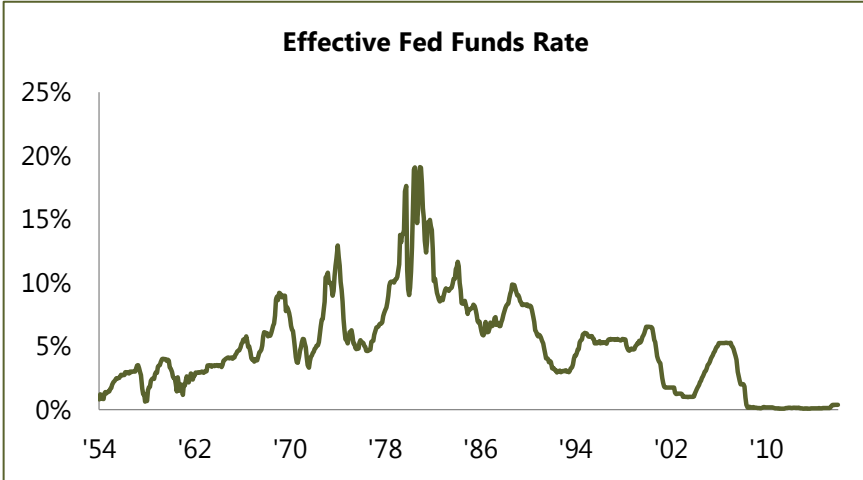
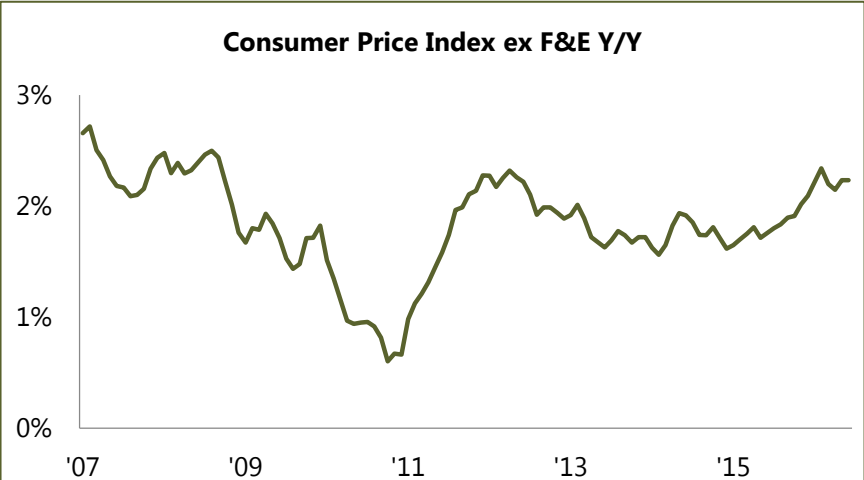
Nominal GDP Remains Weak

U.S. Nominal GDP growth remains subdued, hovering around +2.4% Y/Y.



Inflation a Non-Issue

Both CPI and PCE ex Food & Energy had mildly flat growth over the quarter. However, the divergence between CPI (+2.2% Y/Y) and PCE (+1.6% Y/Y) is noteworthy, especially as the FED uses PCE as their preferred gauge of inflation.



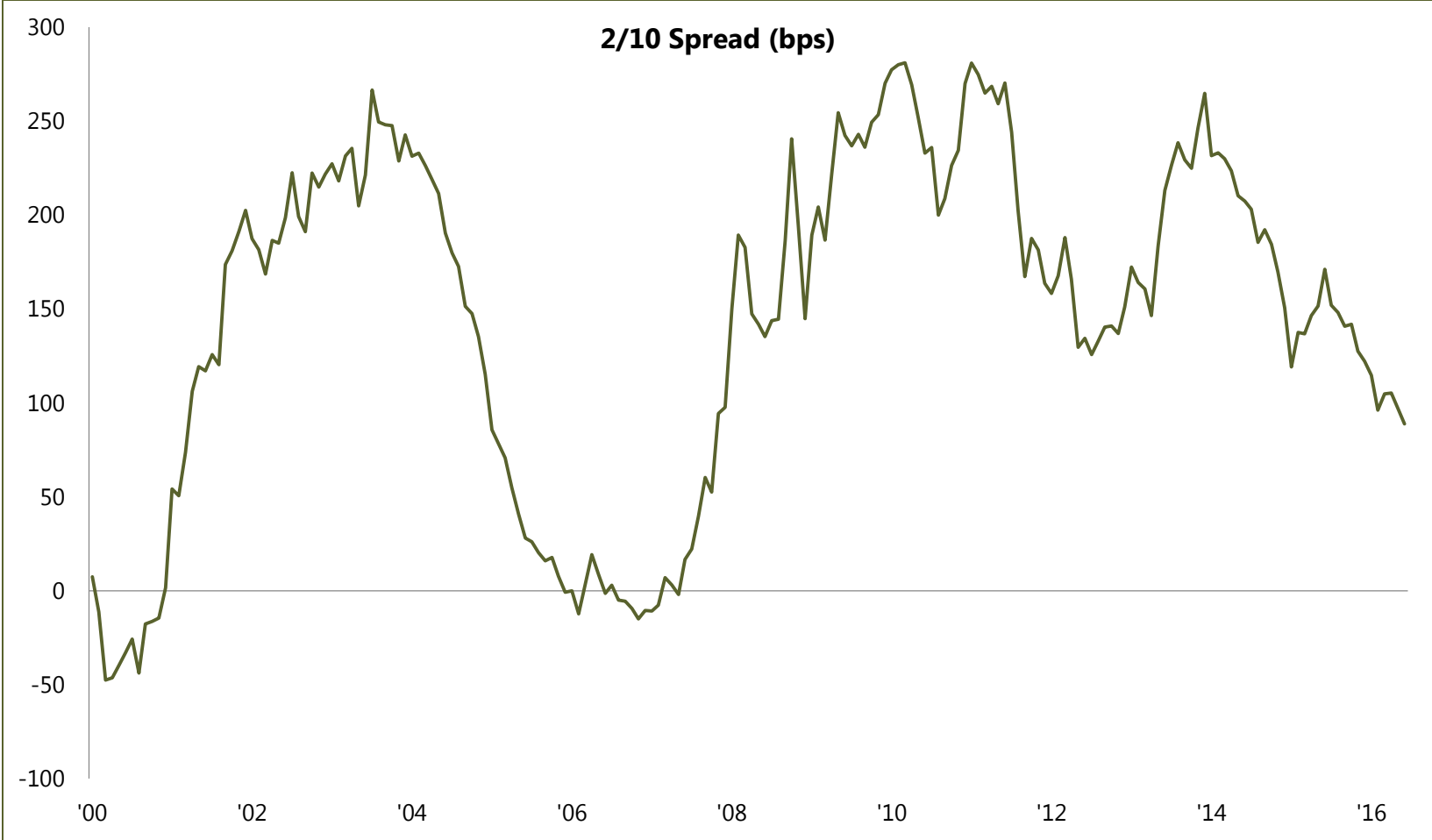
Forward Breakeven Inflation Expectations

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.



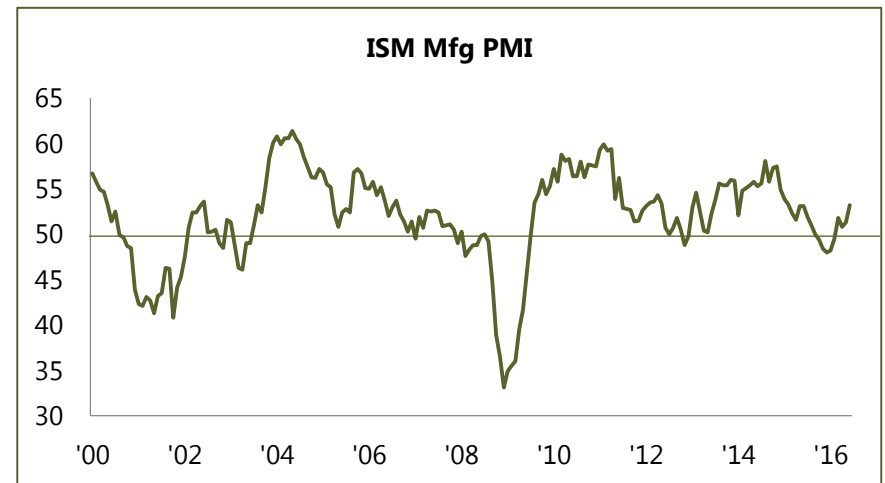
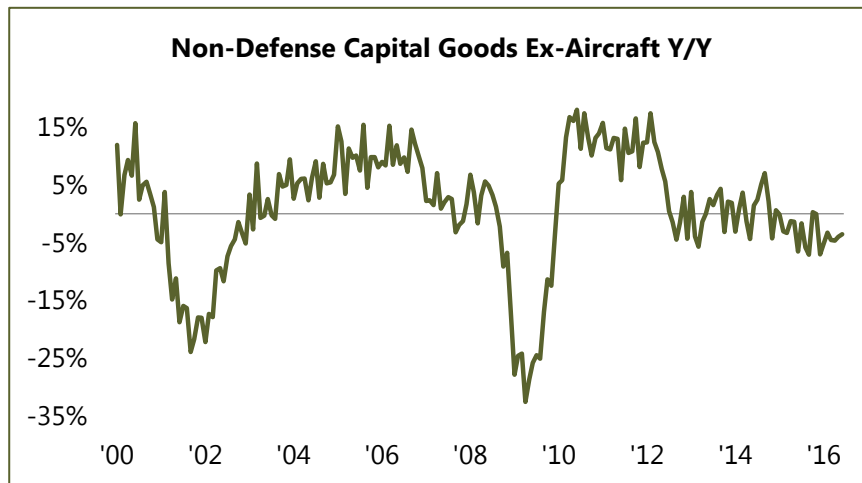
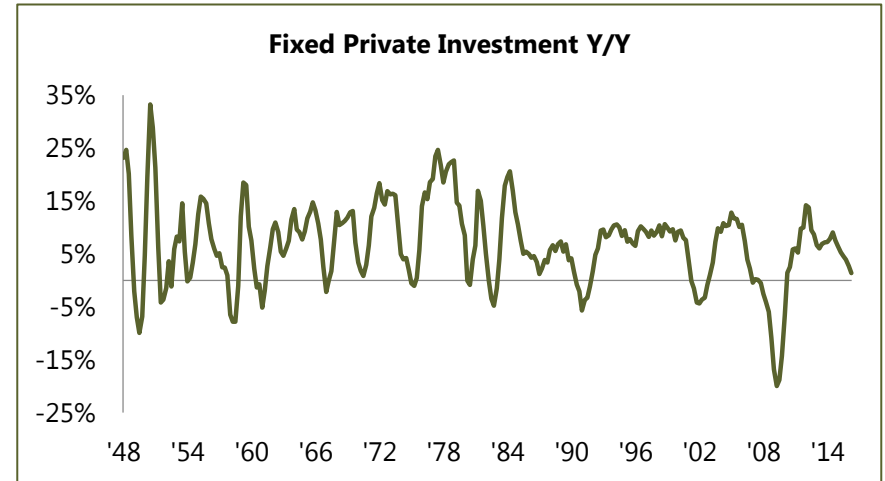
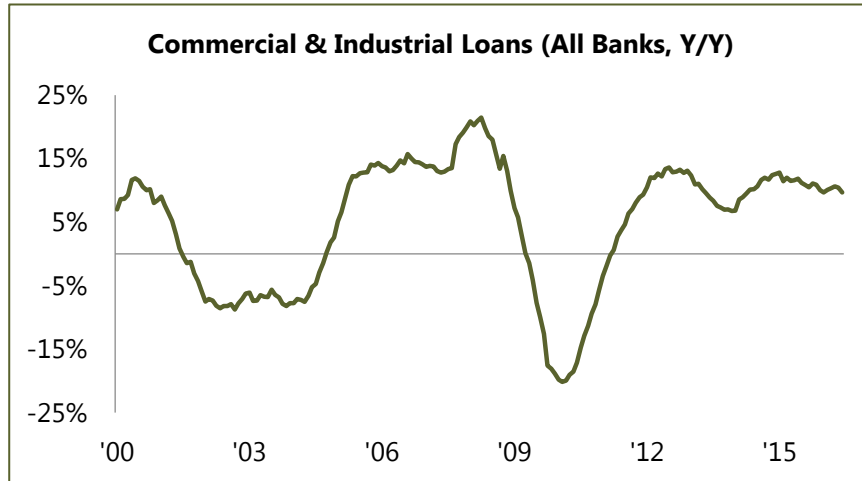
2/10 Spread

The spread between the U.S. Government 10 year yield and 2 year yield fell from 105 basis points at the end of the 1st quarter to 89 basis points at the end of the 2nd quarter.



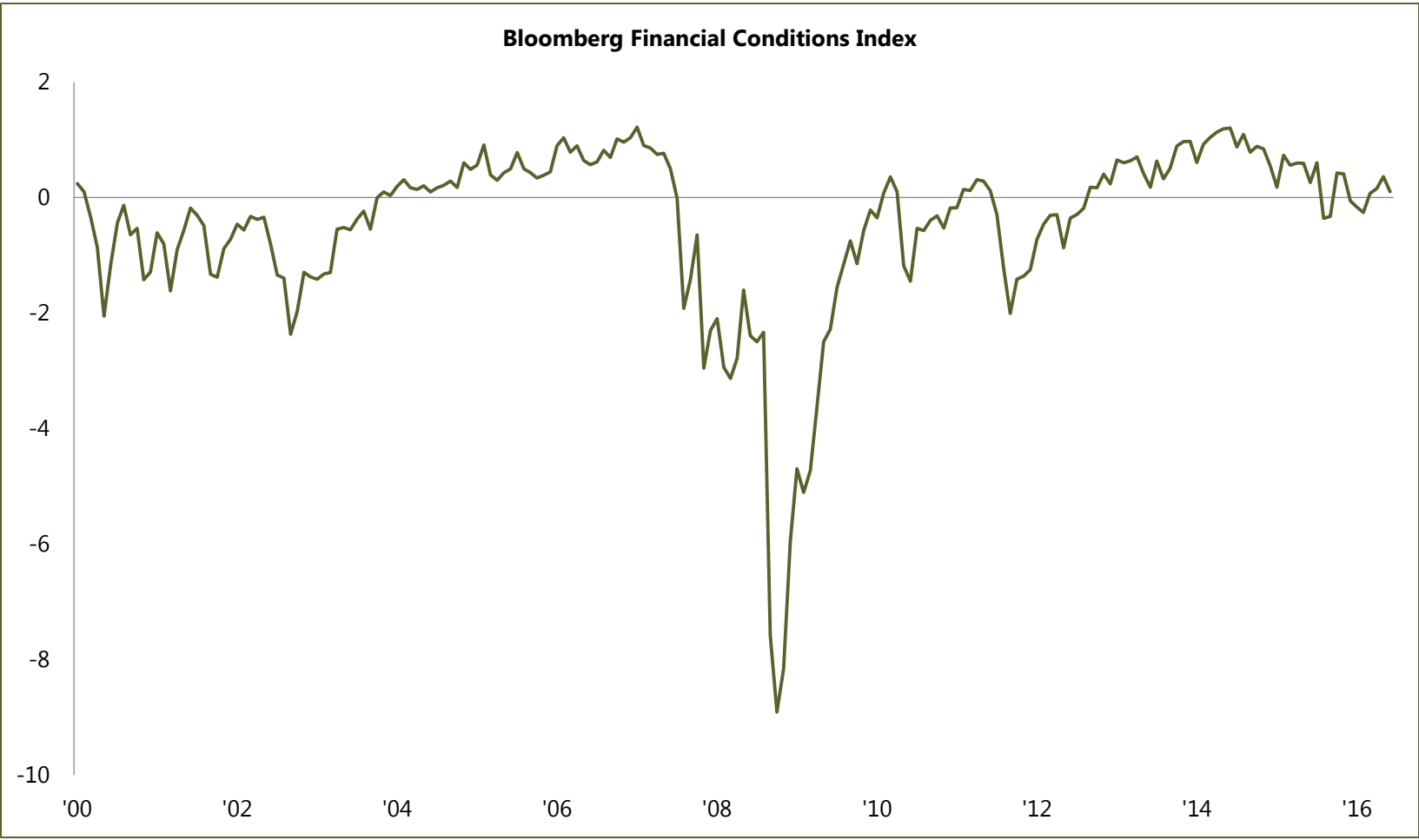
Key Economic Indicators

Fixed Private Investment fell considerably over the quarter. Manufacturing PMI's are slightly above 50, indicating expansion in the Manufacturing Sector, while Commercial and Industrial Loans have mostly flattened. Non-Defense Capital Goods Ex-Aircraft (a proxy for CAPEX) continued to contract in the 2nd quarter as companies backed off on capital spending.



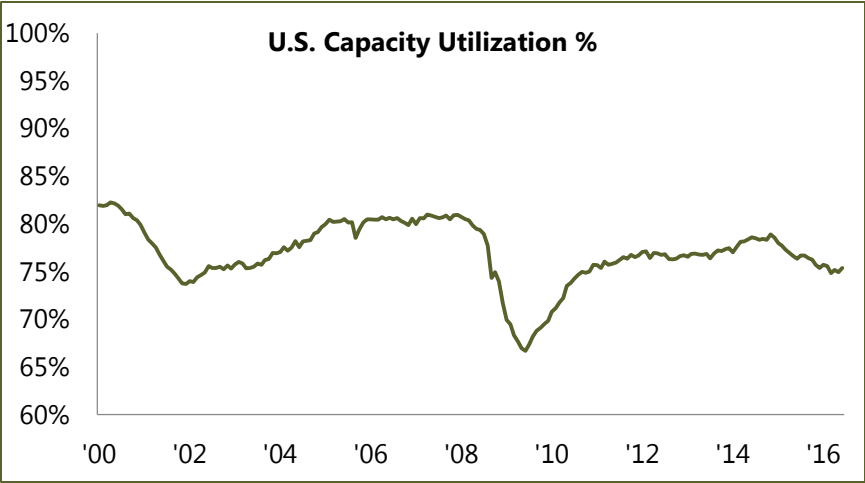
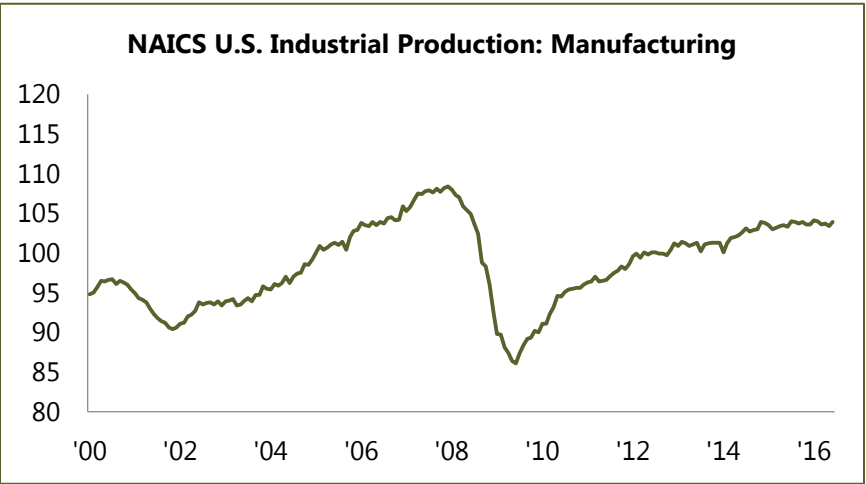
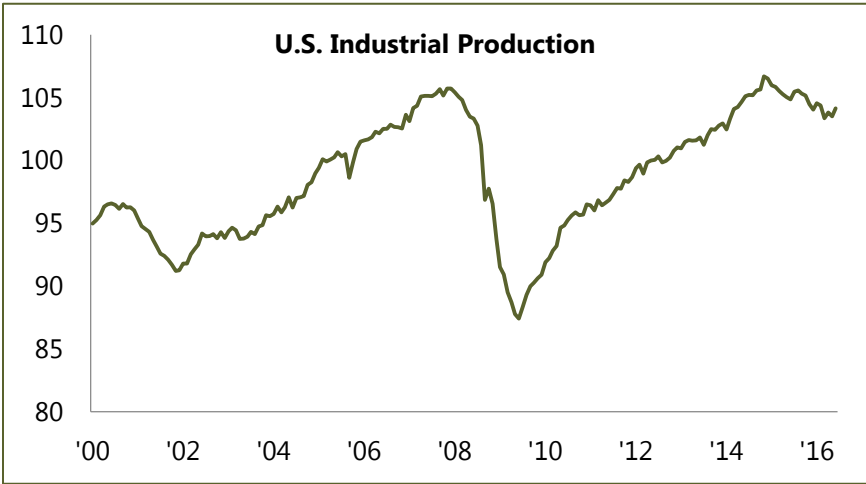
Key Economic Indicators

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).



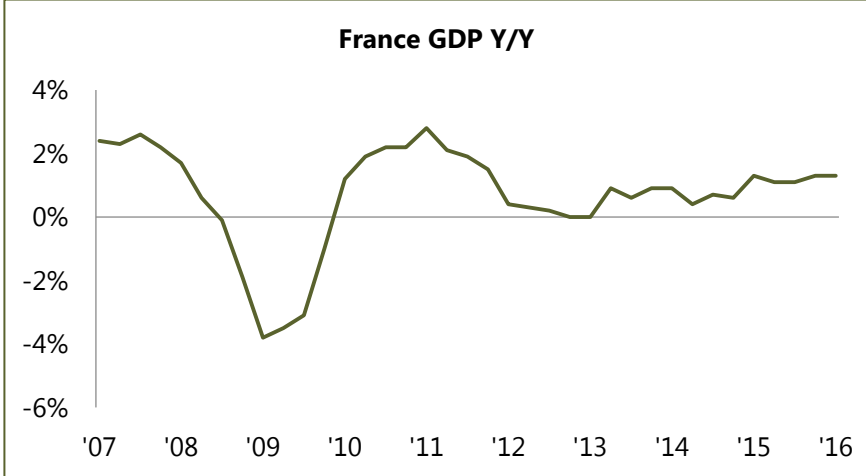
U.S. Industrial Production

Industrial Production and Capacity Utilization rose slightly over the past quarter, reversing the downward trend since late 2014.



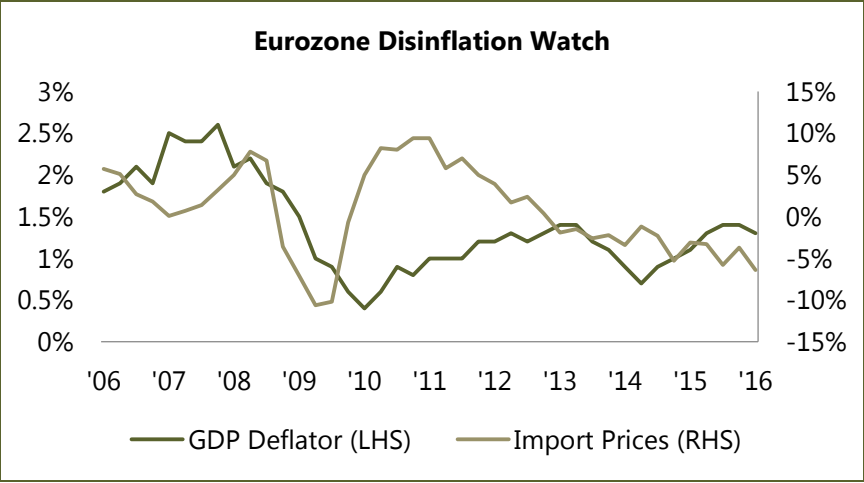
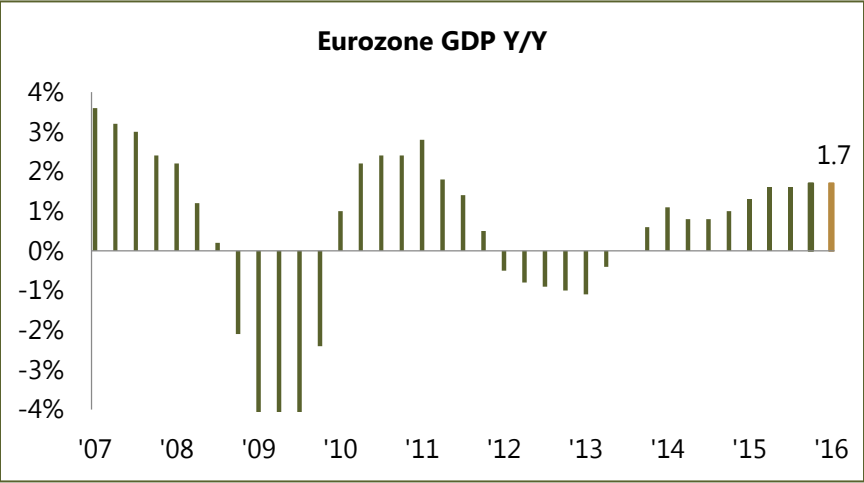
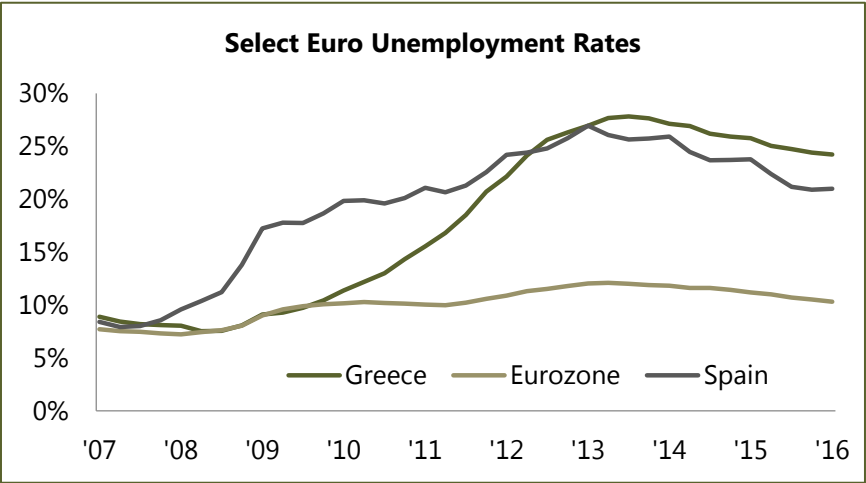
Eurozone GDP Growth Rates

Eurozone GDP continues to grow at around low single digits. However, after the “Brexit” referendum concluded, major economic financial institutions revised their GDP forecasts downward for the constituents of the Eurozone.



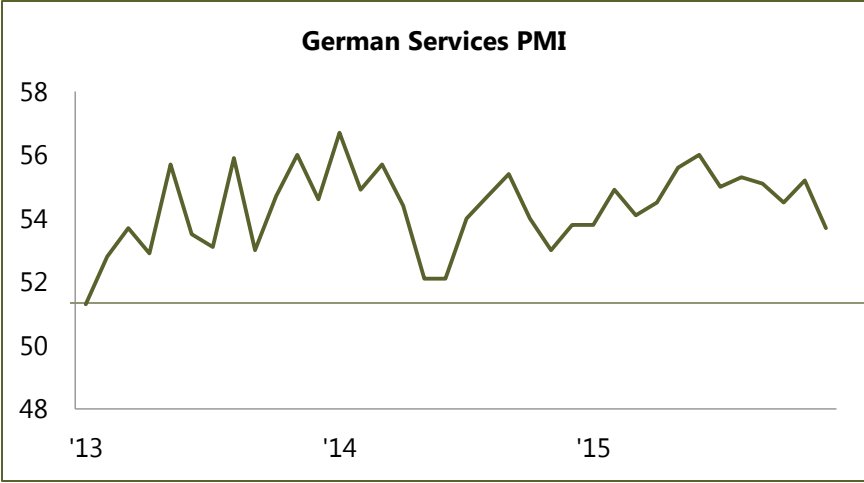
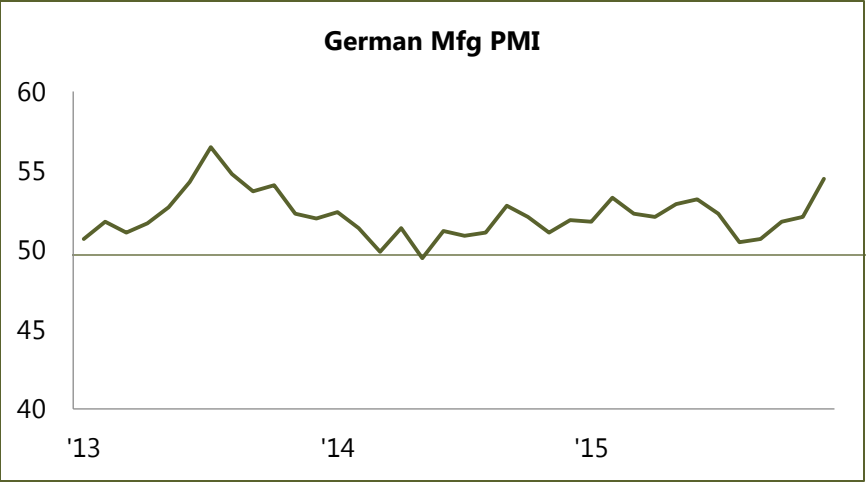
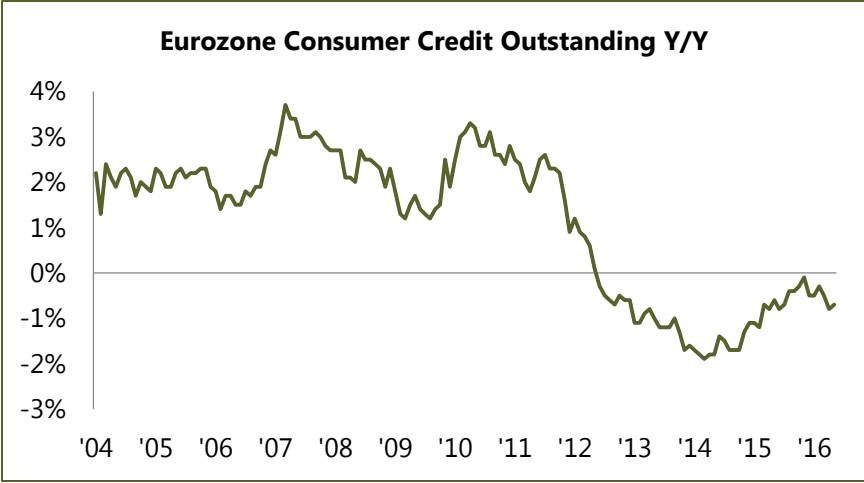
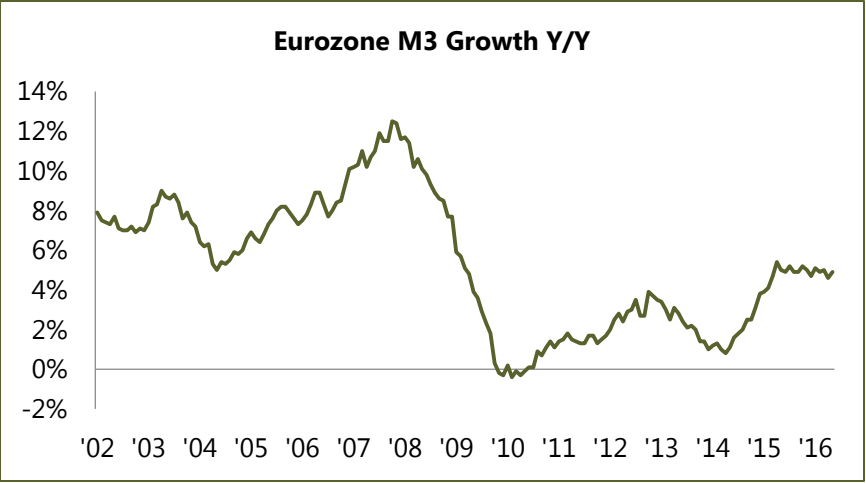
Eurozone

Unemployment rates continued to fall, while inflation moved slightly positive by the end of the 2nd quarter. However, Eurozone's GDP Deflator and Import Prices point toward falling prices.



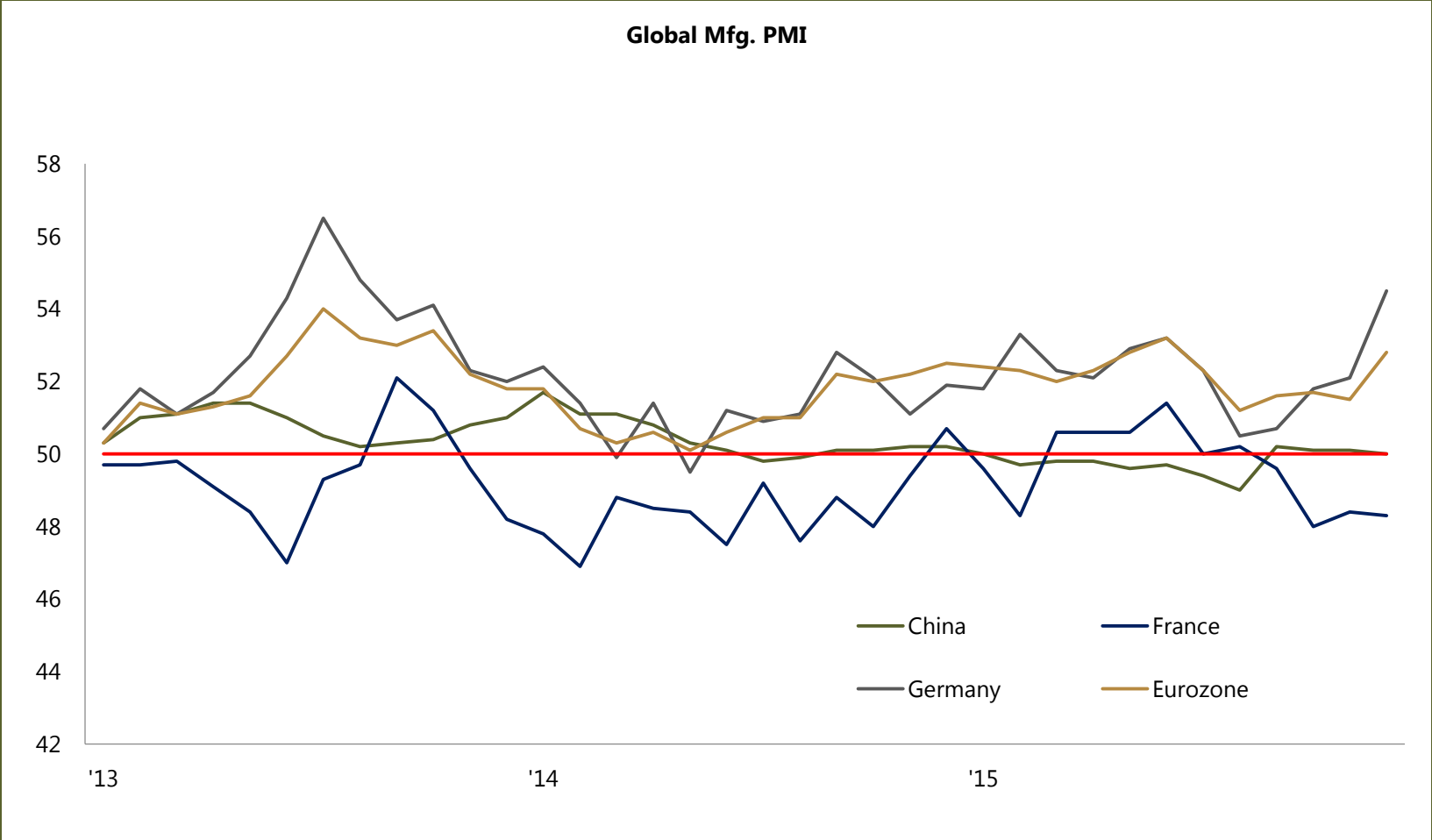
Eurozone

Both German PMI's continue to trend above 50, signaling expansions in both the manufacturing and services sectors. However, Manufacturing PMI grew while Services PMI fell. Consumer credit has failed to grow positive since 2012, while Eurozone M3 growth has remained flat.



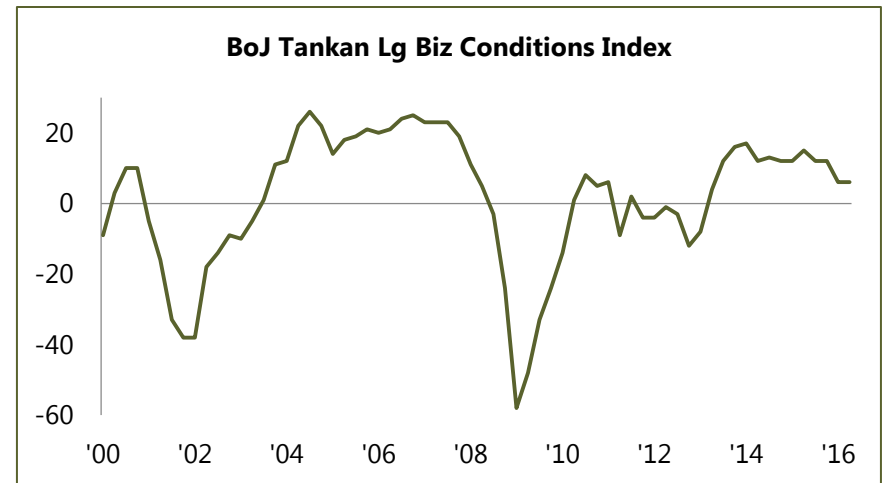
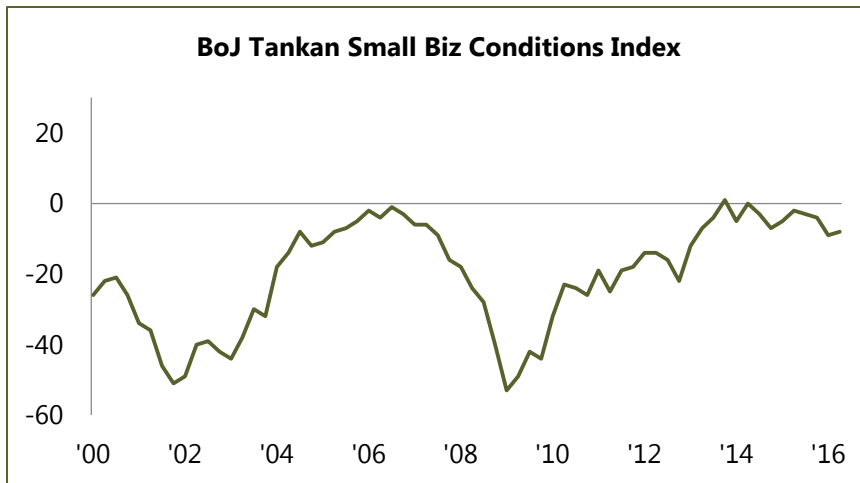
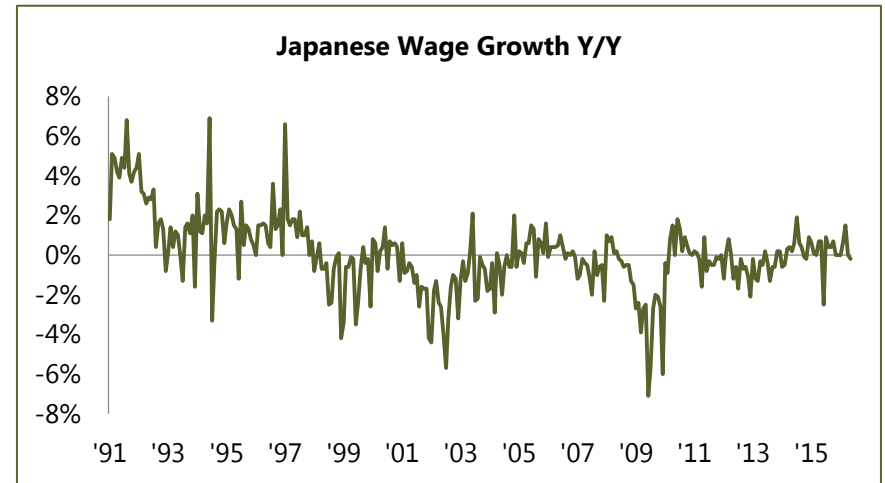
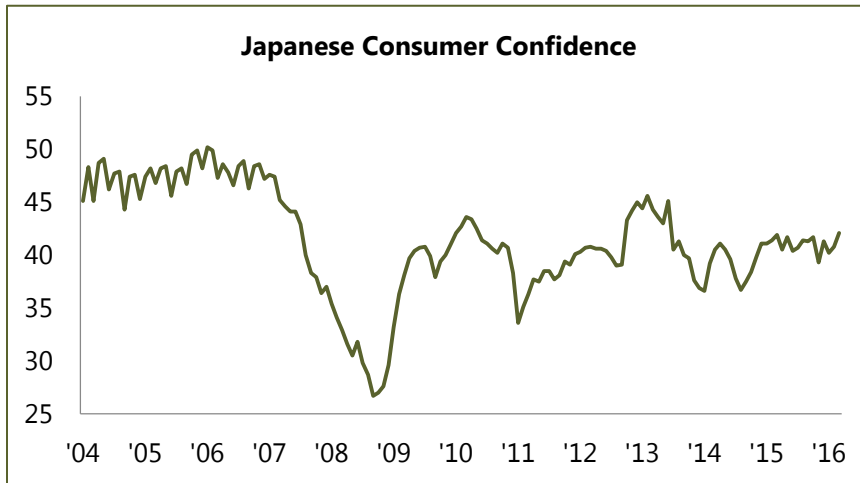
Global Mfg. PMI

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 a consumption-based GDP remains a headwind for PMI's.



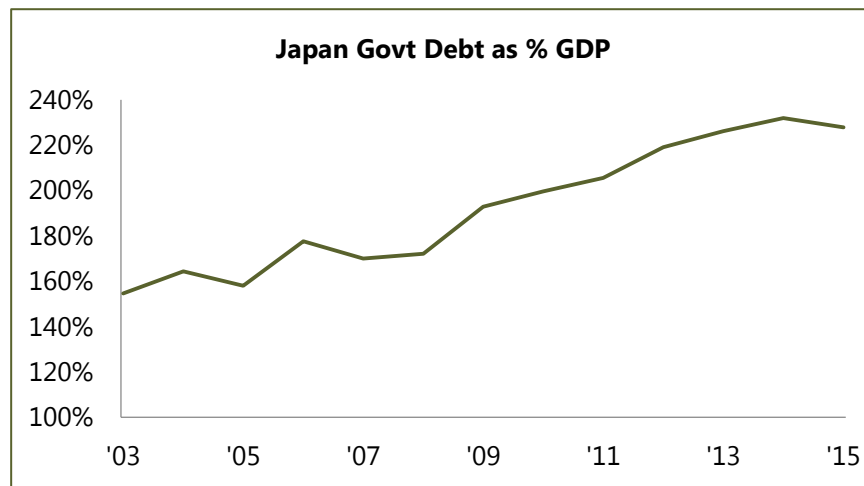
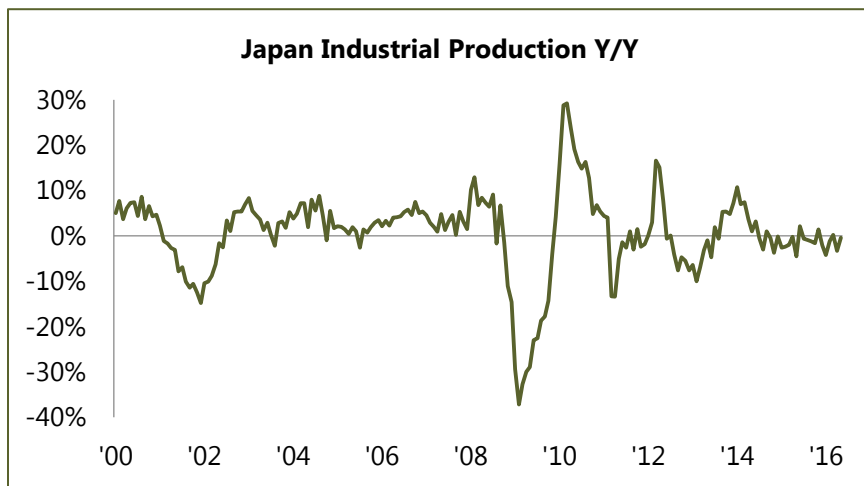
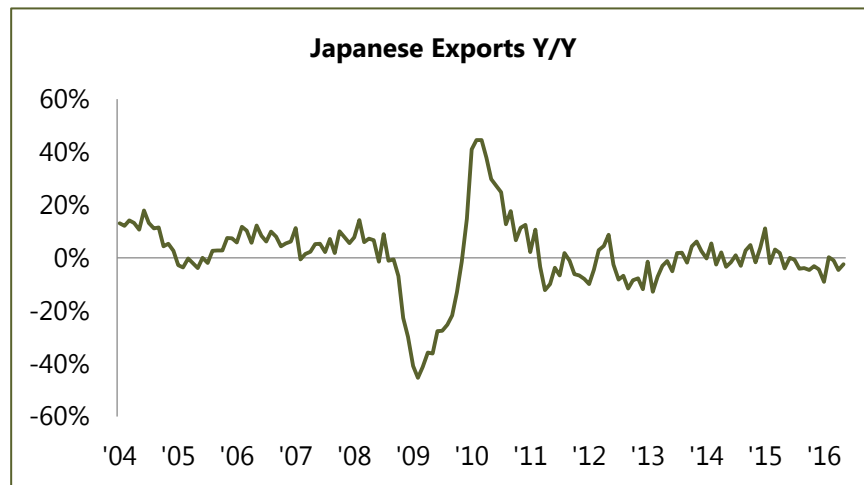
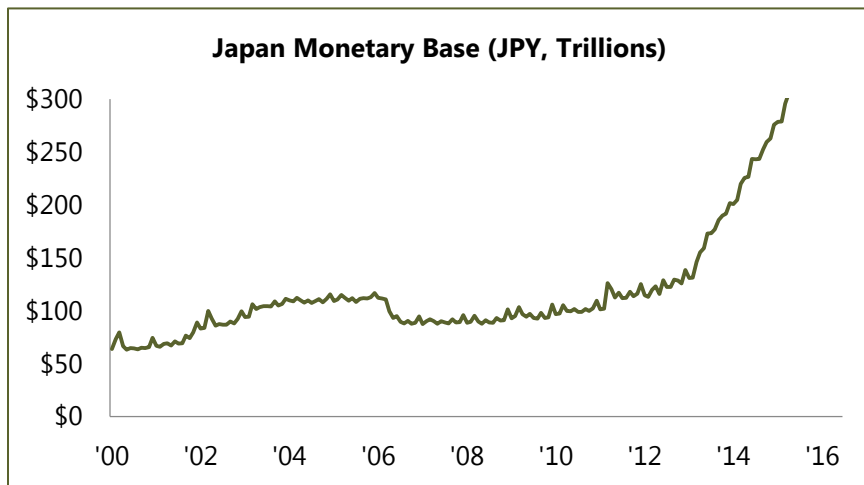
Tracking Abenomics

Lack of wage growth remains a headwind to Abenomics and overall Japanese GDP growth. On June 1st, Japan's Prime Minister Shinzo Abe announced that he would delay the increase in the national sales tax until late 2019, which was expected to be implemented in April 2017.



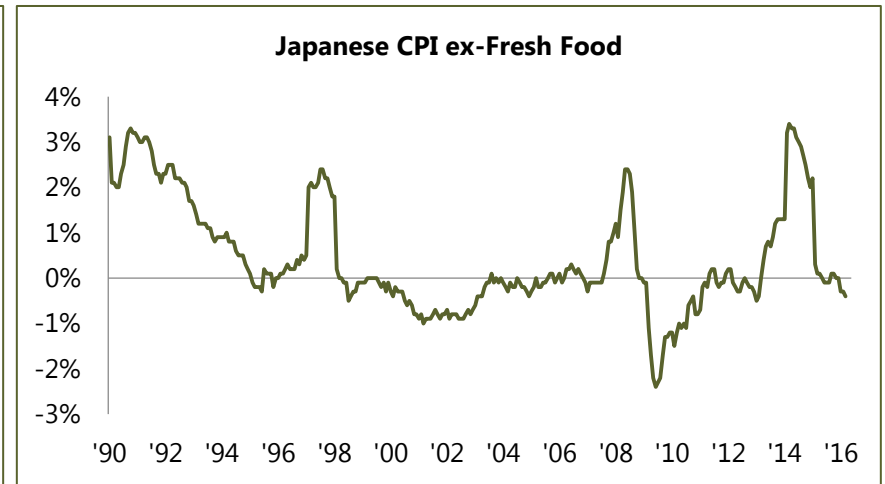
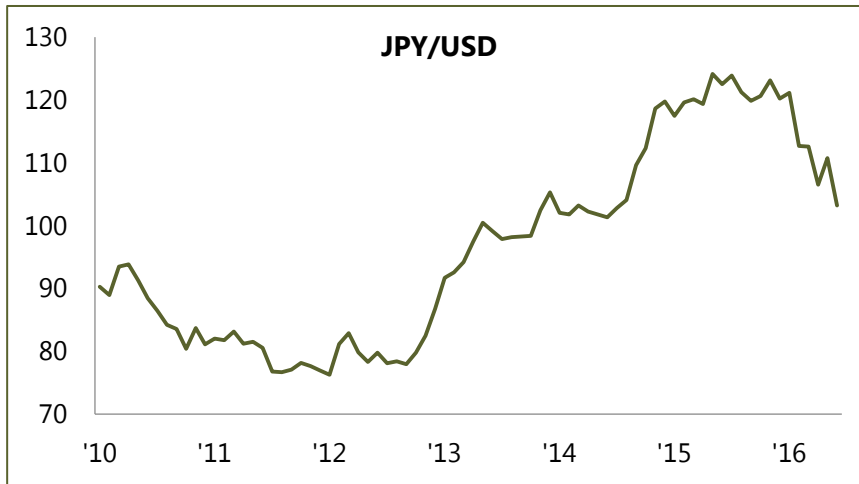
Japan

Overall Japanese economic data remains weak, despite unprecedented BOJ stimulus. Japanese Government Debt, as a percent of GDP, is the highest in the world at over 225% of GDP.



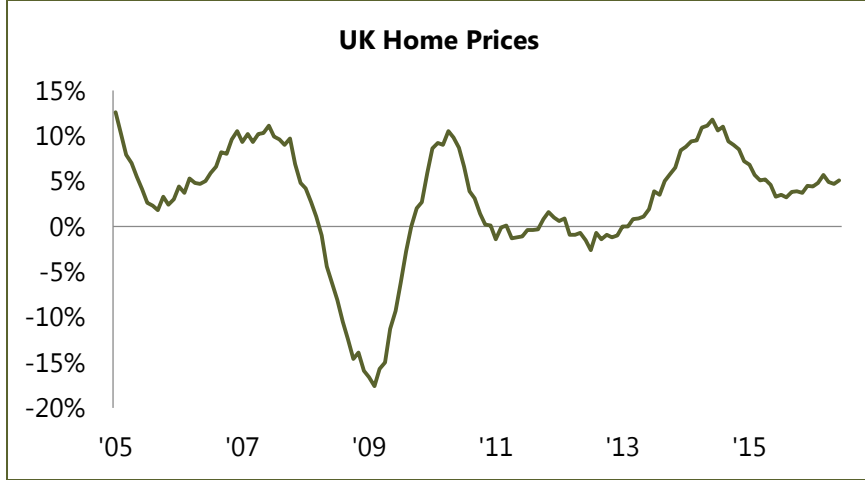
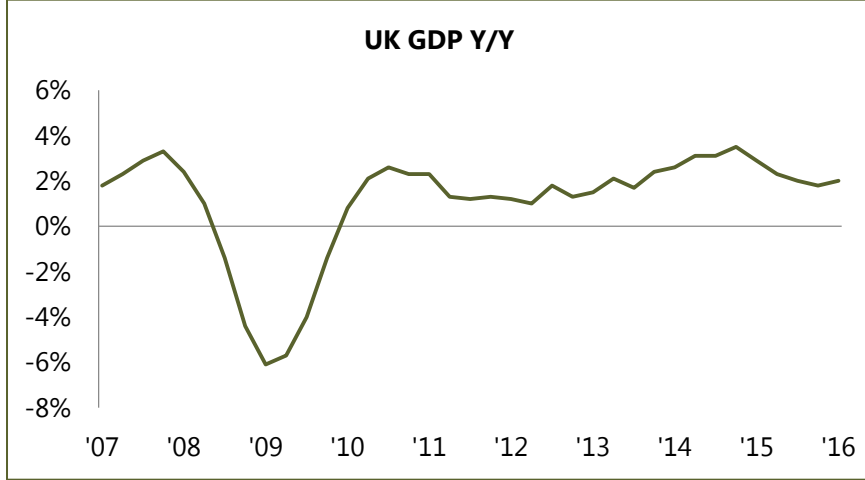
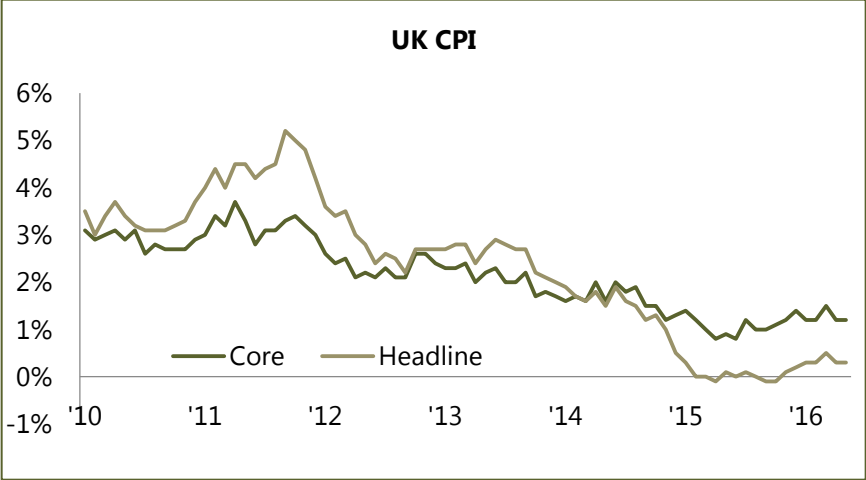
Yen Continues to Strengthen

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, while Japanese CPI ex-Fresh Food has yet to show positive growth for 2016.



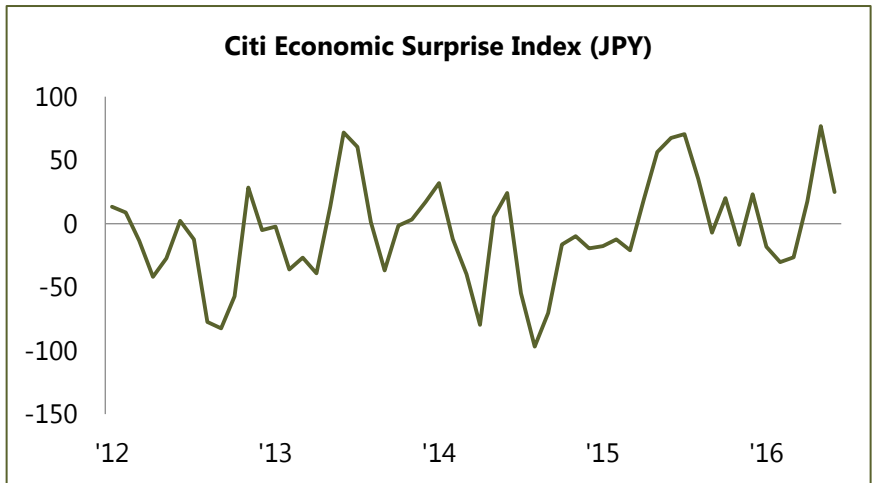
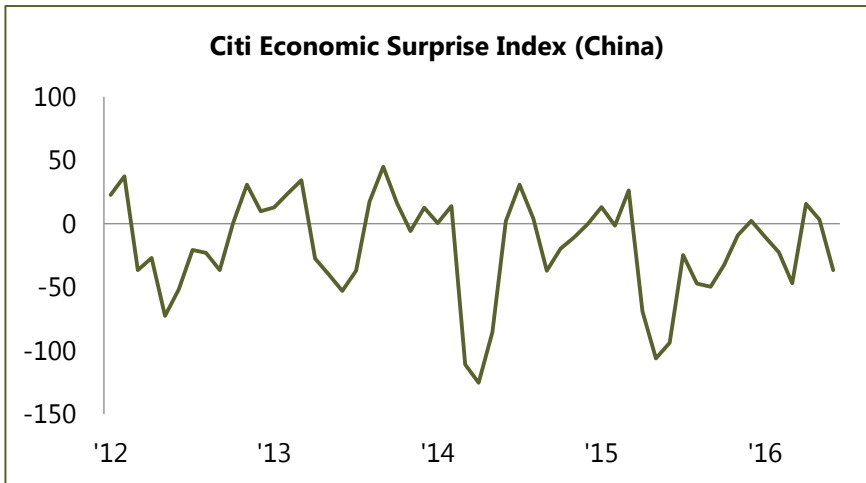
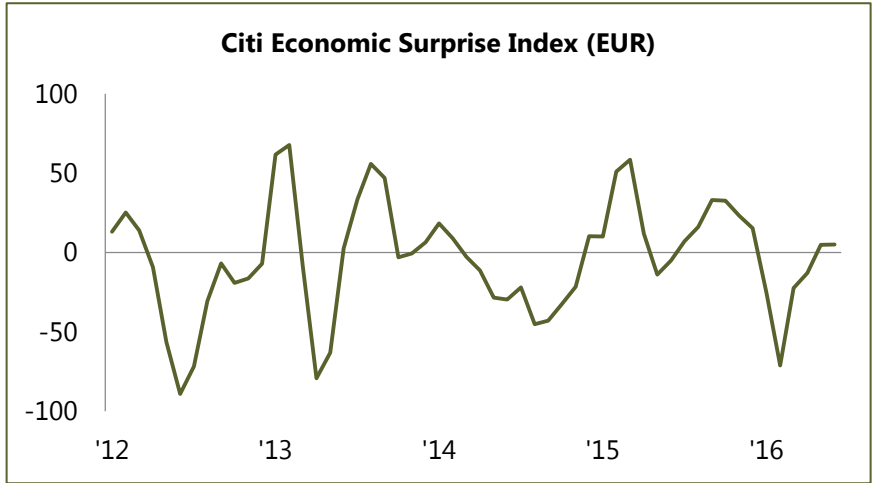
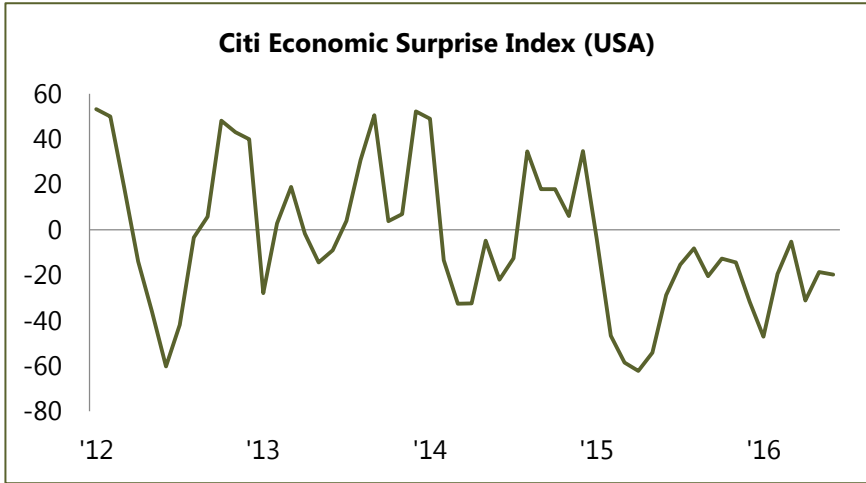
United Kingdom

On June 23rd, Headline news of a “Brexit,” or the United Kingdom exiting the EU, captivated investors around the globe. During the quarter, CPI ticked higher, home prices rose, and unemployment remained at a 10 year low.



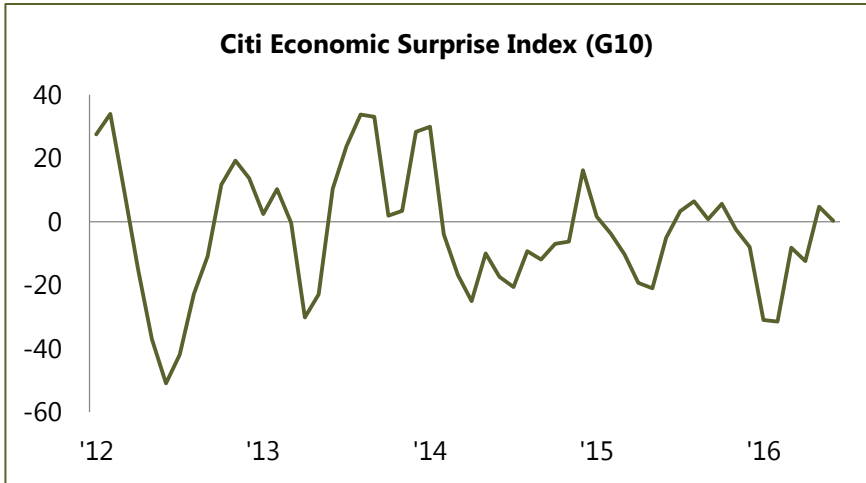
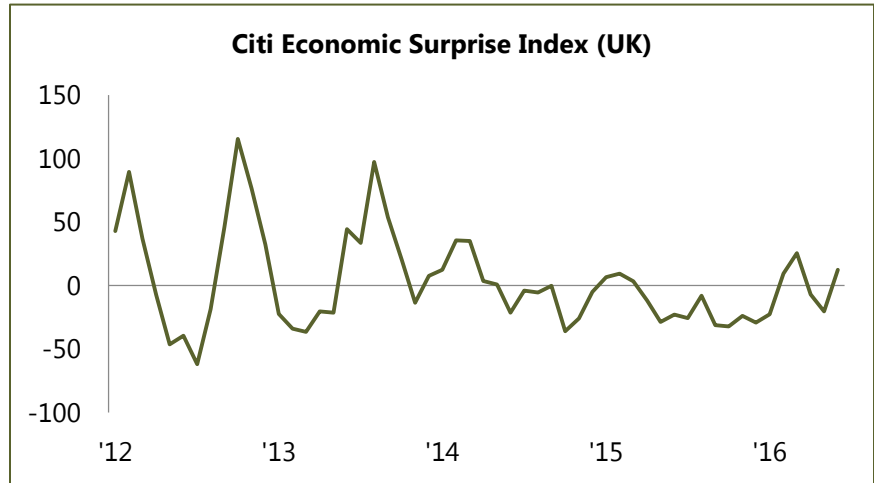
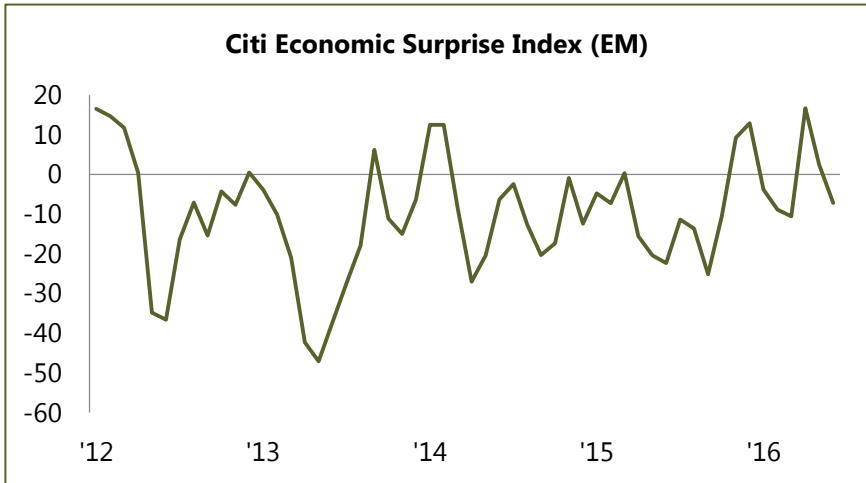
Economic Surprise Indices

Broad economic data in Europe and Japan continued to improve in Q2, while data in U.S. and China continues to miss expectations.



Economic Surprise Indices

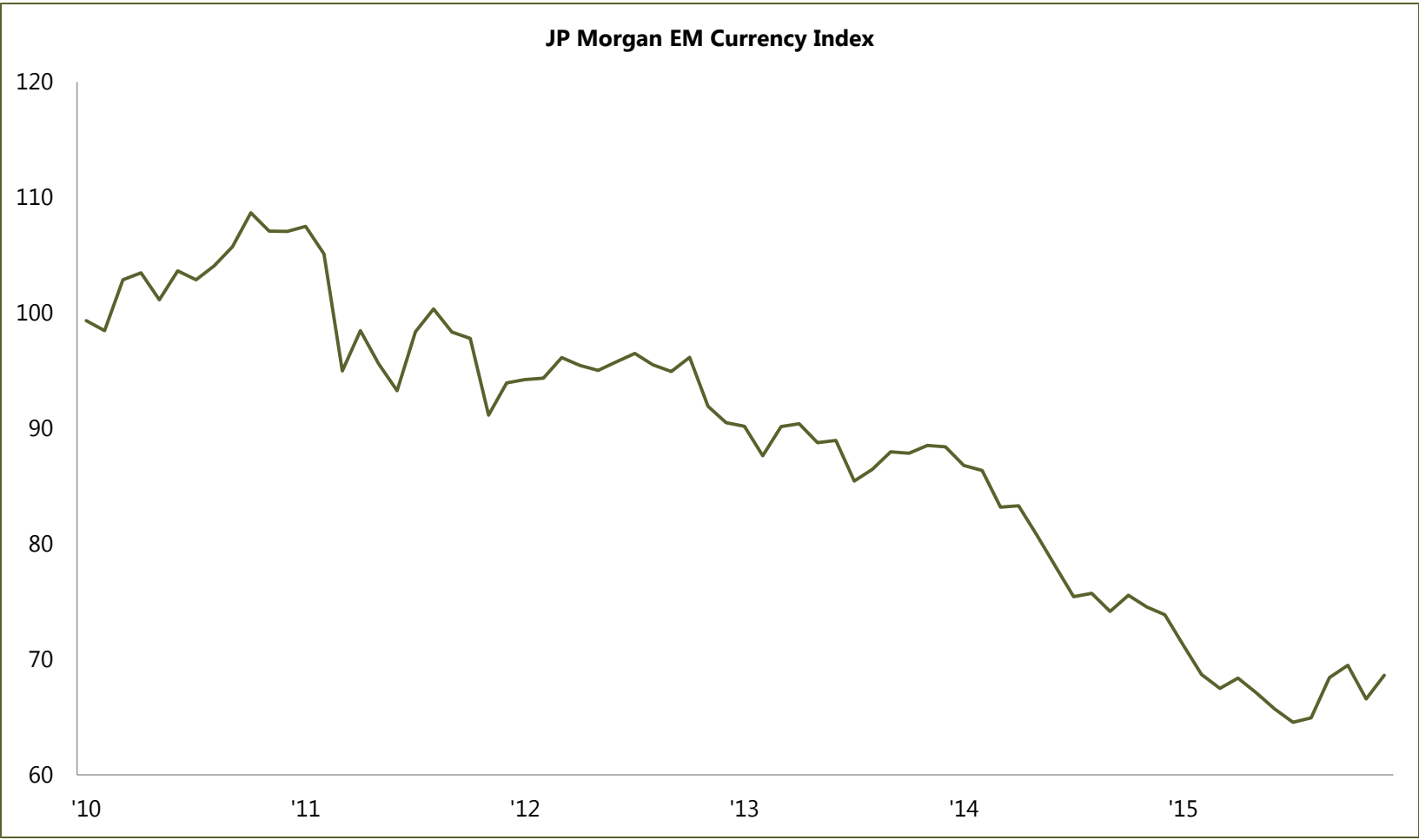
Emerging Markets have experienced large volatility in terms of missing/meeting estimates, while United Kingdom's economic data continues to beat estimates.



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

Emerging Markets Currencies Bounce Back

Recent strength in commodity prices have given a bid to Emerging Market currencies. The JP Morgan EM Currency Index has been mostly flat over the quarter, falling only slightly in May, but then rose back up in June.



China

Recent trade data from China indicated strong imports, while exports continued to fall. Exports, inflation, industrial production and retail sales will be closely watched as China's massive economy shifts from manufacturing to consumption based.



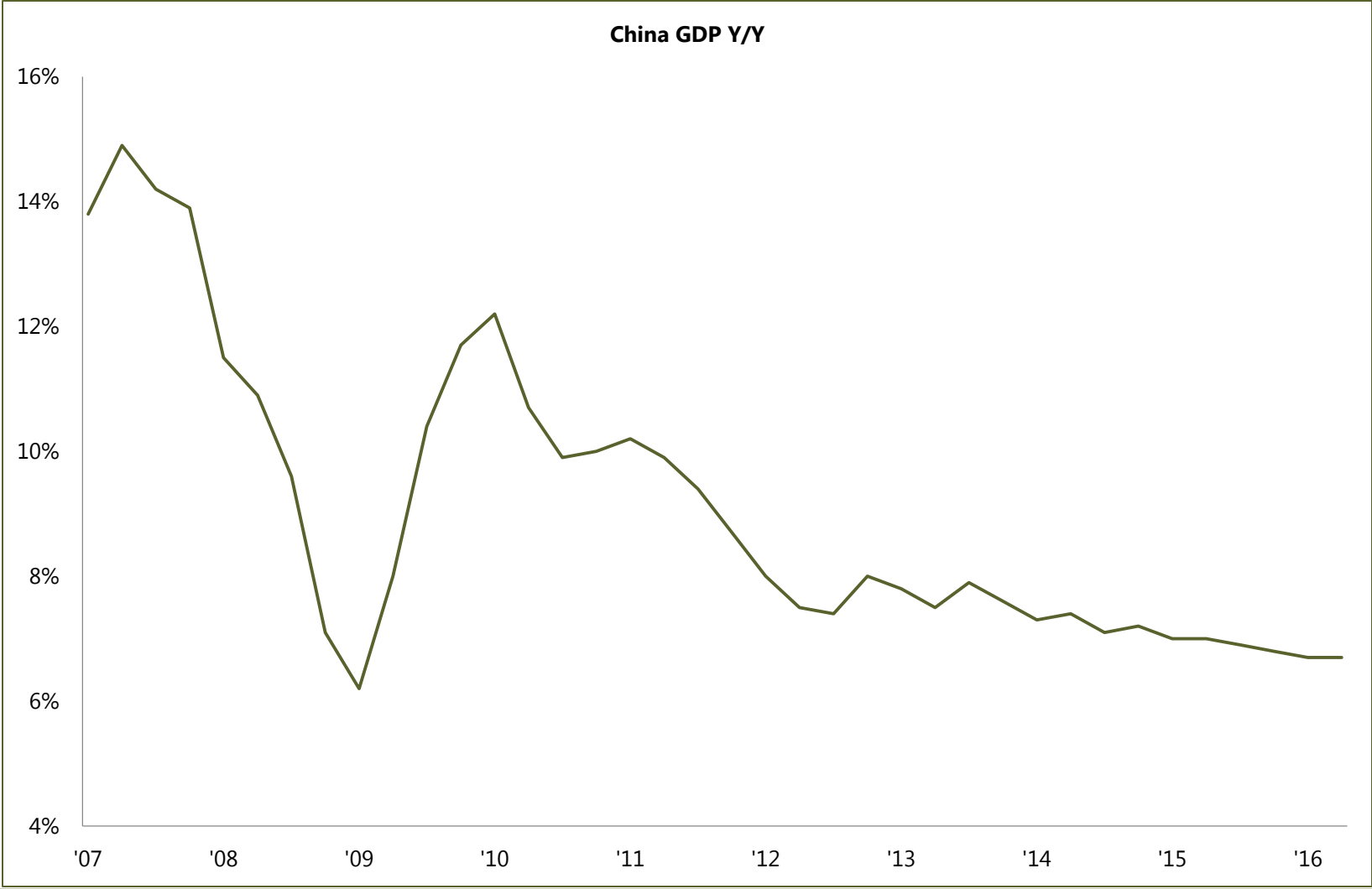
Shanghai Composite Bubble Bursting

The Shanghai Composite fell considerably early in the 1st quarter of 2016, but the recent rally is indicative of higher commodity prices. Volatility subsided in the second quarter, with the composite only down -2.5% over the quarter.



China

As China's economy continues to shift, GDP has been steadily falling. Increased inflation and a weaker Renminbi will make Chinese exports more favorable.



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