

Q4 2015 CHART BOOK



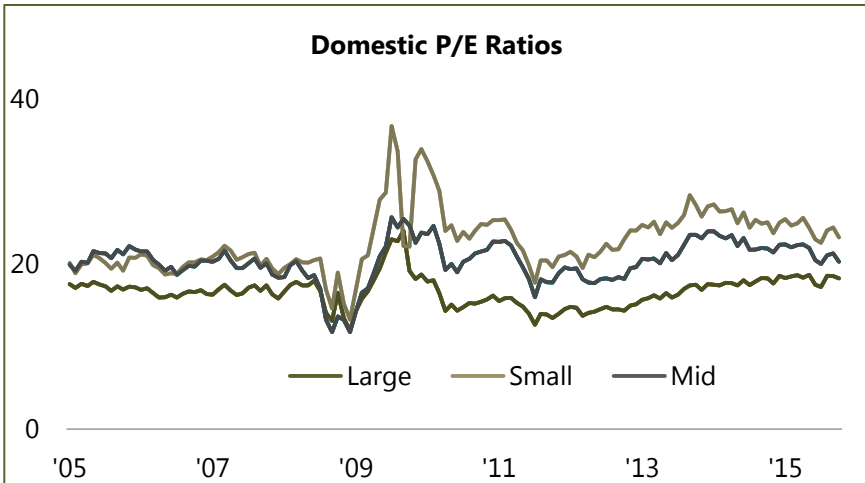
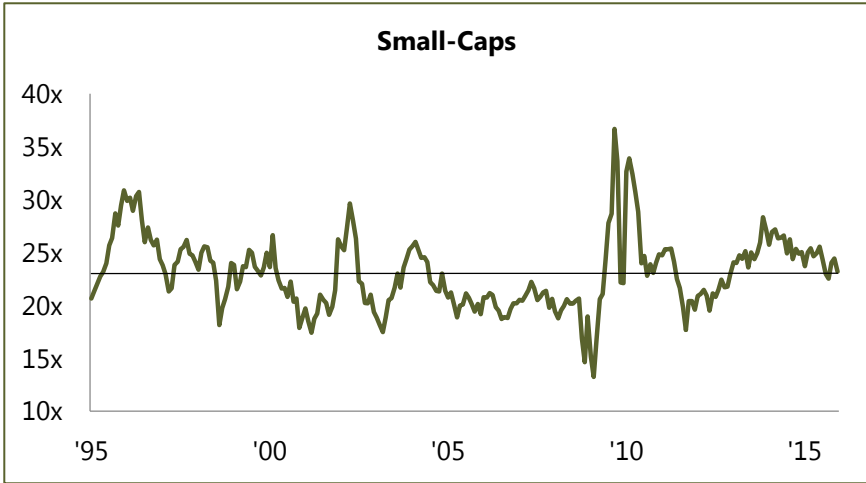
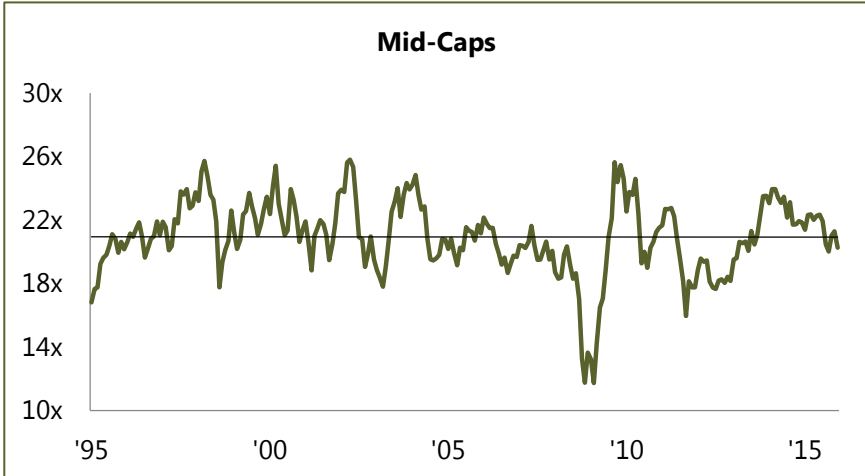
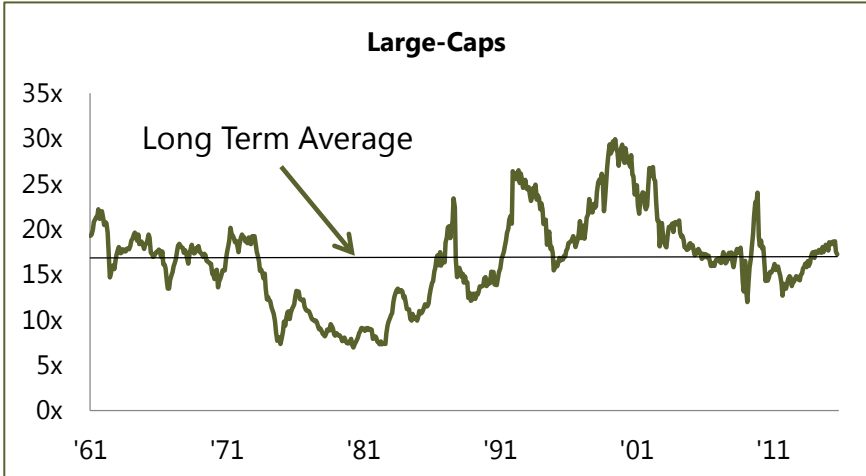
Buffalo, NY



North Palm Beach, FL

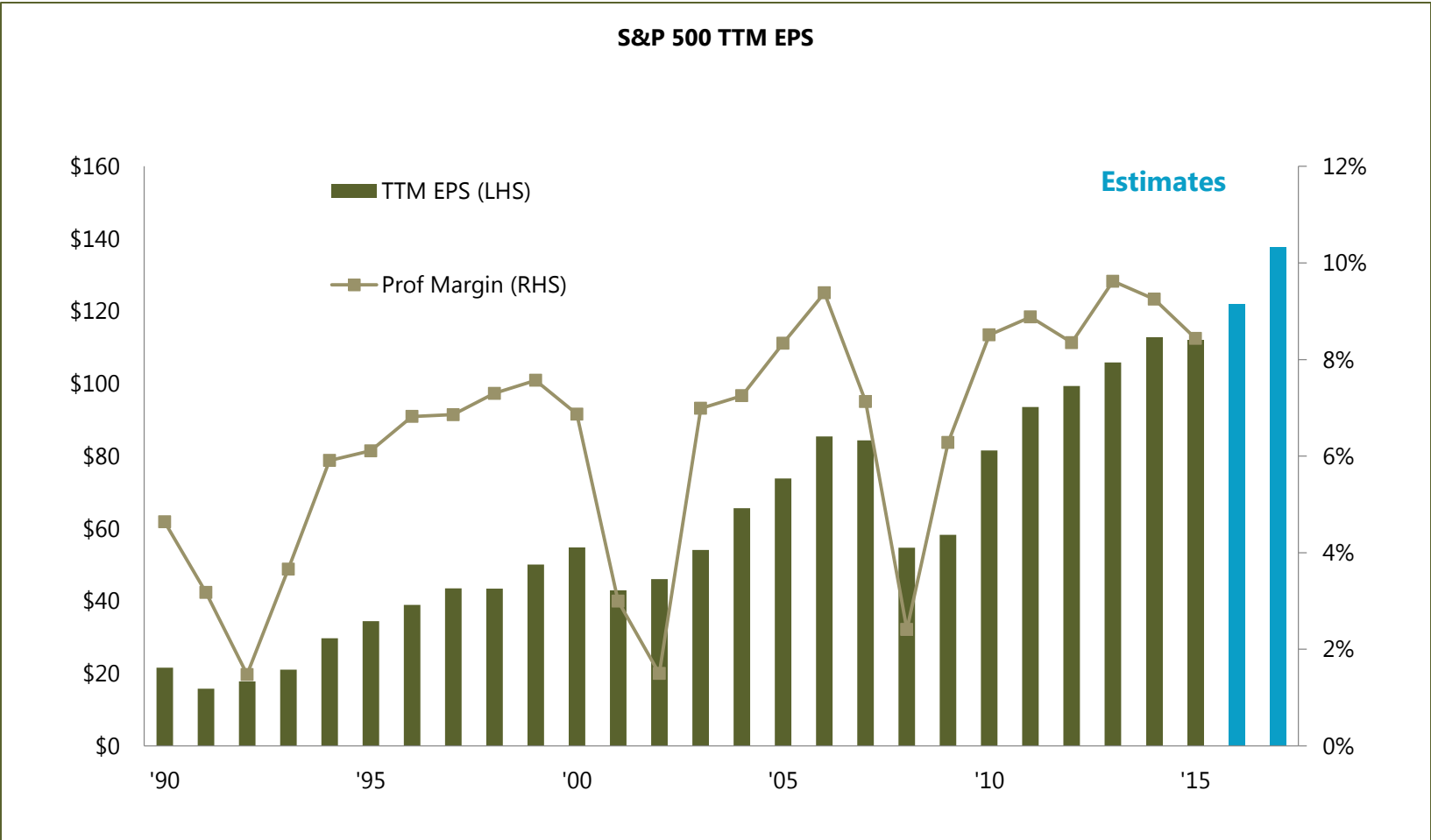
Domestic P/E's

Domestic P/E's have slightly compressed with the recent sell off, yet still remain above long term averages.



S&P 500 EPS and Profit Margins

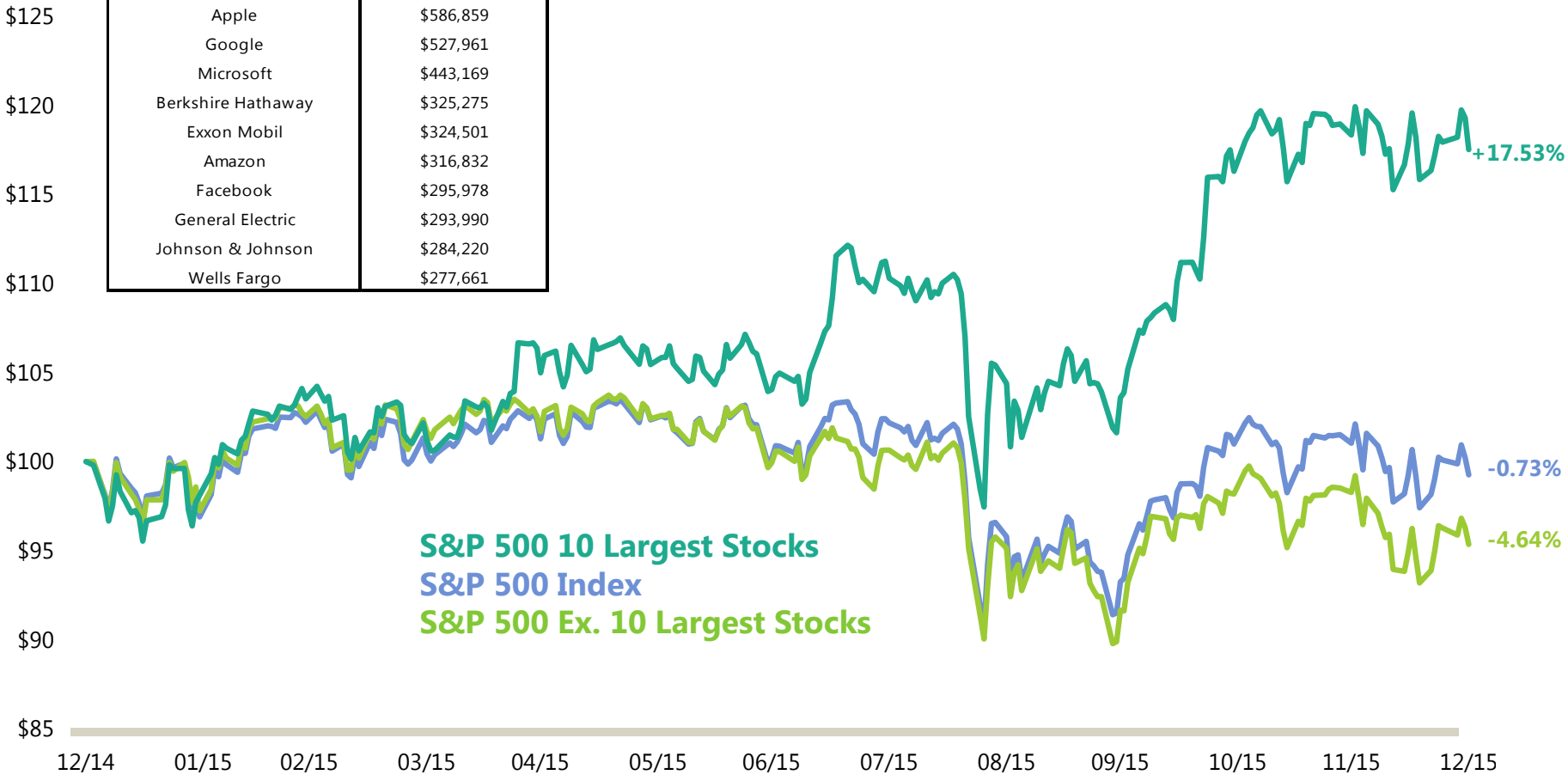
Calendar year earnings in 2015 were slightly less than 2014. Consensus calls for +8.8% EPS growth in 2016. Concerns over profit margin reversion continue to worry investors.



2015: S&P 500 Largest 10 Win, Lower 490 Lose

The largest 10 companies in the S&P 500 by market cap vastly outperformed the rest of the index. On a capitalization weighted basis, the S&P 500 fell -0.73%, highlighting the fact that the largest companies drove index performance.

<u>10 Largest Constituents</u>	<u>Market Cap (B)</u>
Apple	\$586,859
Google	\$527,961
Microsoft	\$443,169
Berkshire Hathaway	\$325,275
Exxon Mobil	\$324,501
Amazon	\$316,832
Facebook	\$295,978
General Electric	\$293,990
Johnson & Johnson	\$284,220
Wells Fargo	\$277,661



Source: Strategas, (S&P 500 10 Largest Stocks is a market capitalization weighted basket of securities) through 12/31/2015

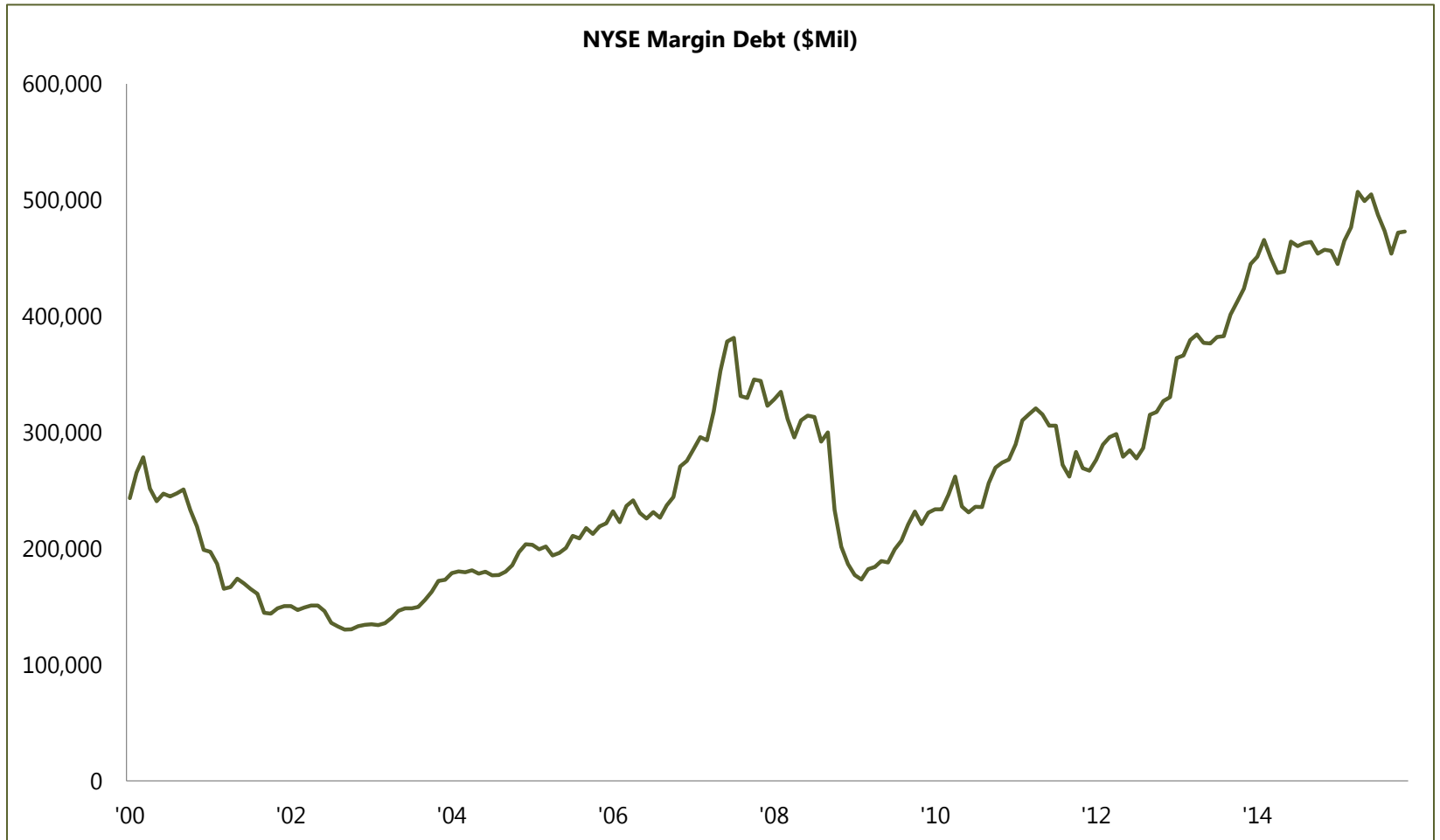
Current Sector Valuations

The S&P 500 and its corresponding sectors continue to look fairly valued on a P/E Basis. While neither cheap nor expensive, valuations remain elevated.

<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>
Health Care	XLV	22.1	3.9	Fairly Valued	Fairly Valued	1.6%
Consumer Discretionary	XLY	21.3	5.0	Fairly Valued	SELL	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%

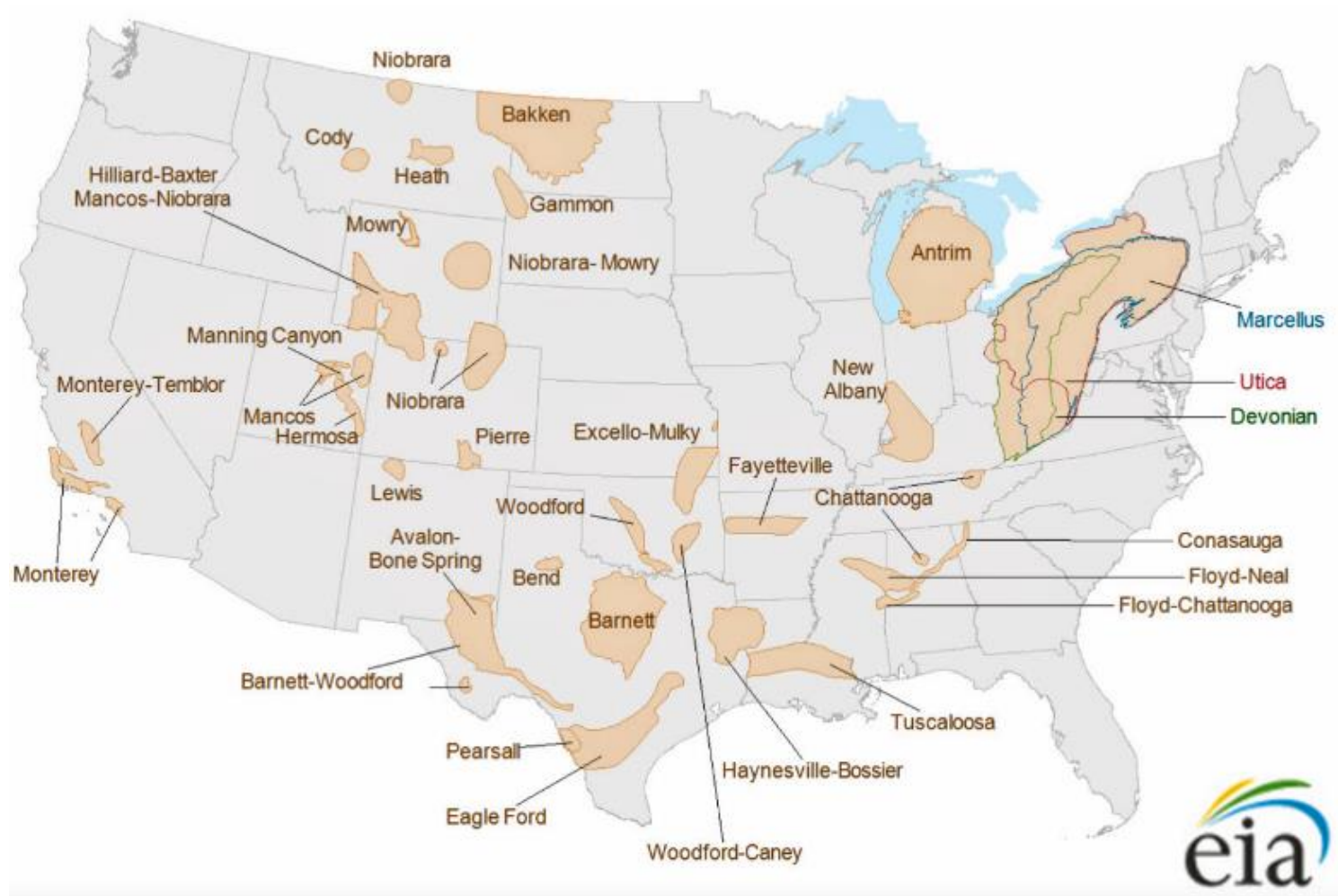
Equity Margin Debt

Investors slightly increased their margin debt over the last quarter, giving a bid towards domestic companies. Equity Margin Debt still remains near all time highs.



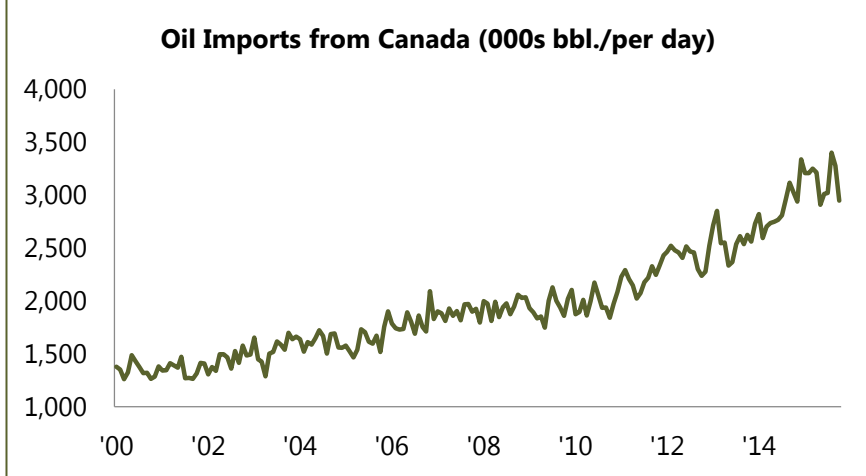
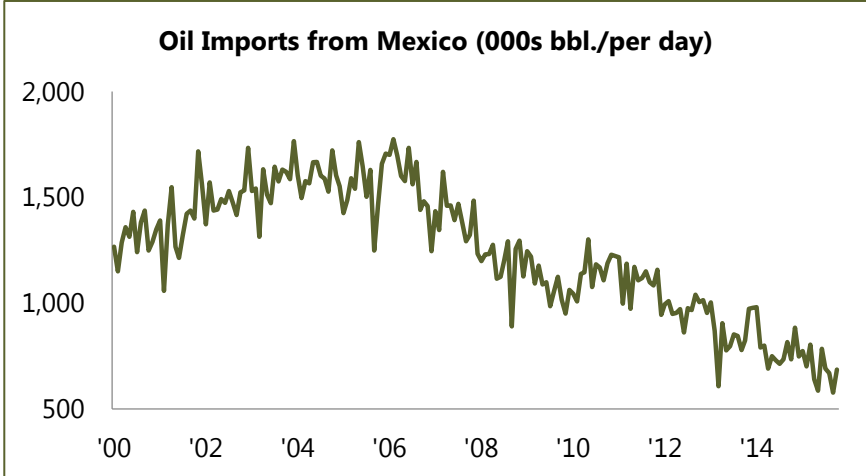
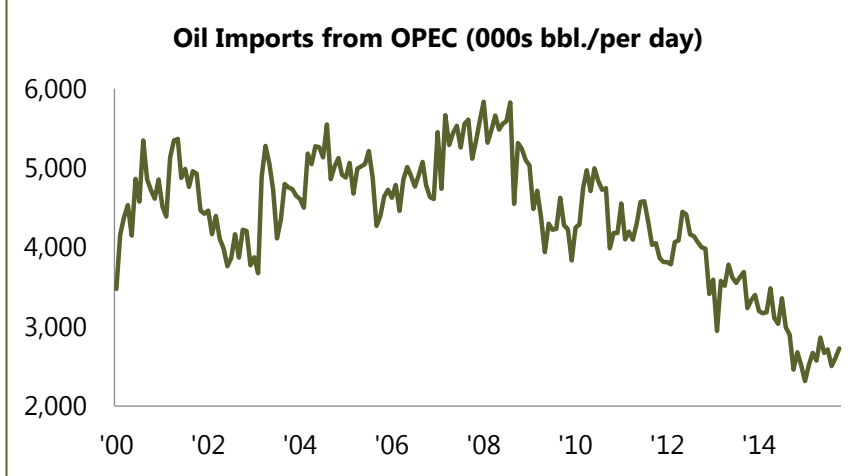
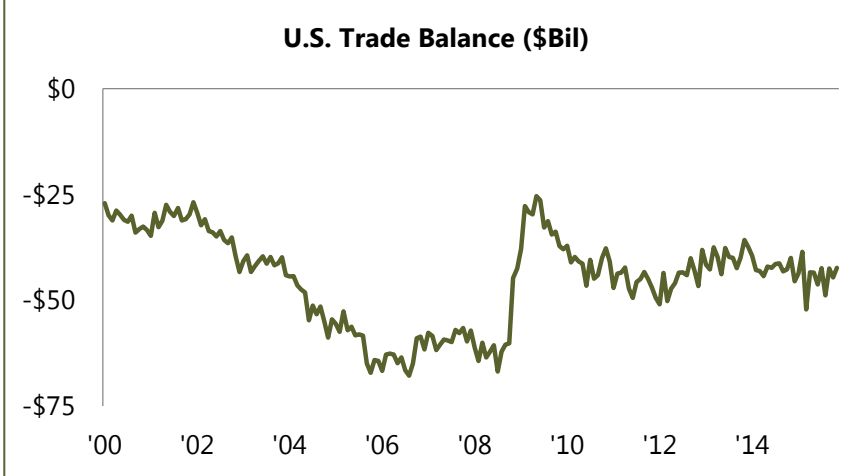
Domestic Shale Plays

Rigs continued to decline into the end of 2015 as the world oil supply glut intensified. U.S. Shale companies have decreased capital spending projects and operating guidance moving into 2016.



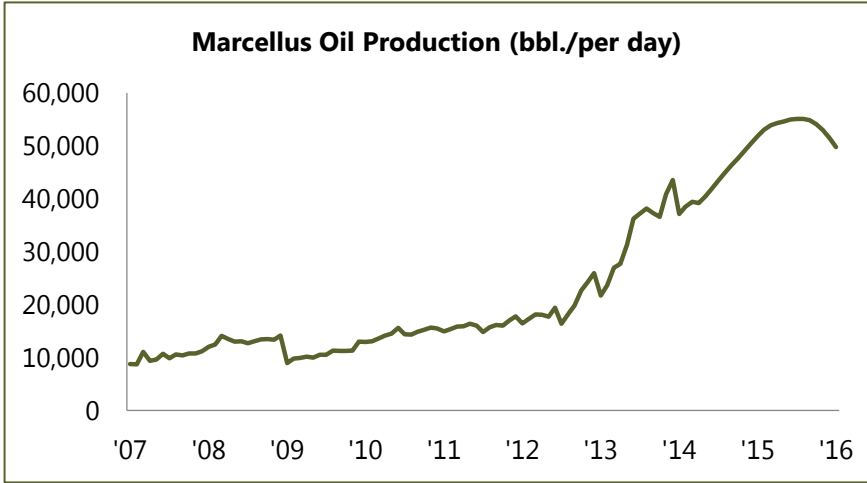
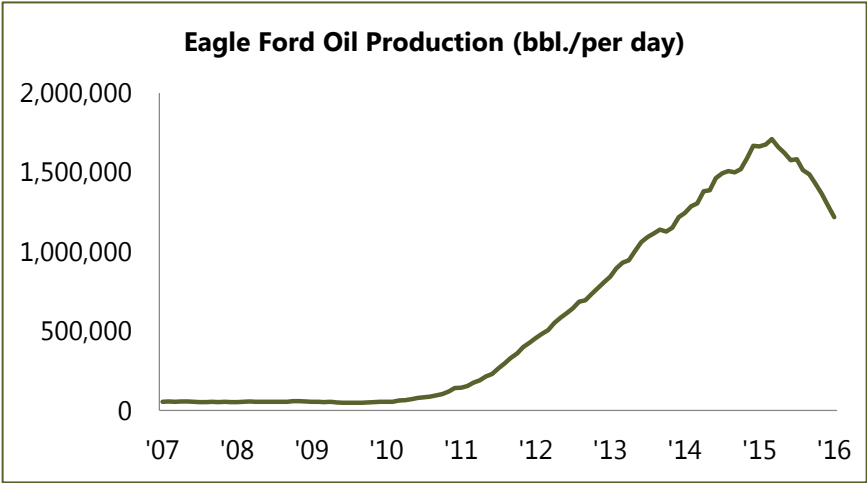
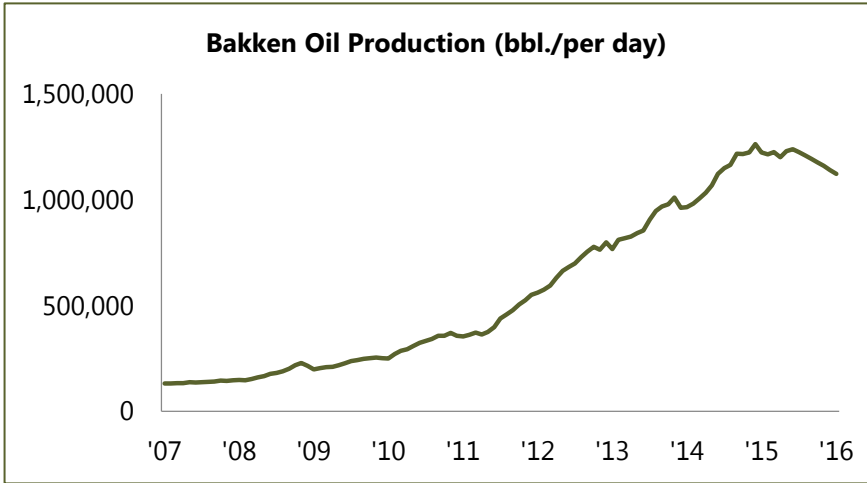
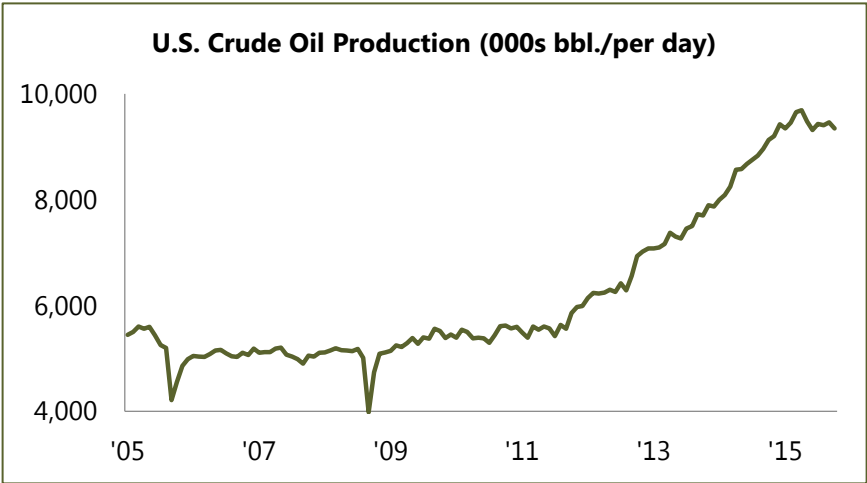
U.S. Imports

The U.S. Trade Balance was flat from the last quarter despite the slight appreciation of the dollar.



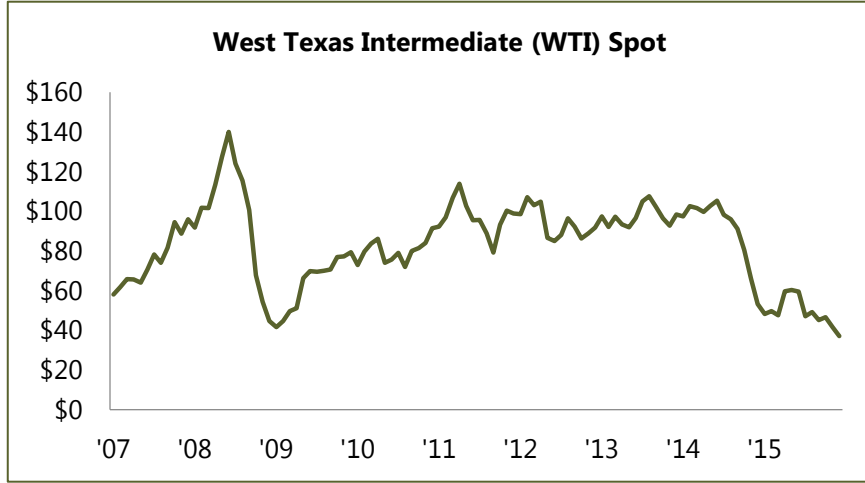
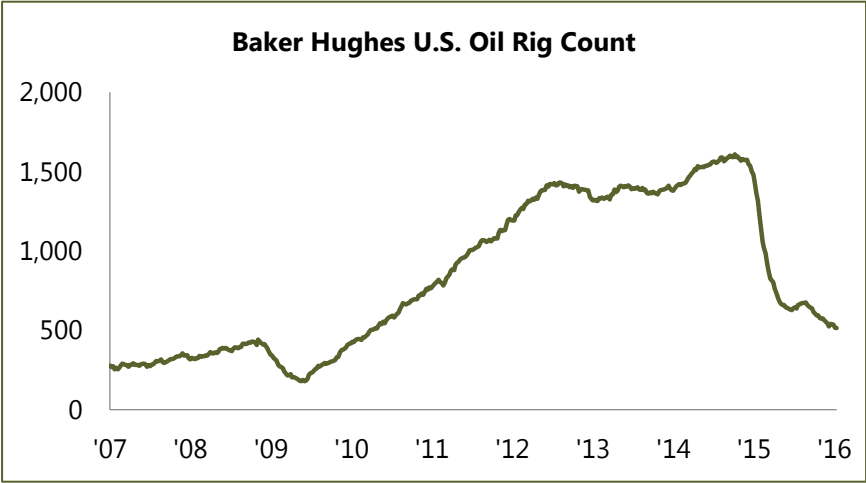
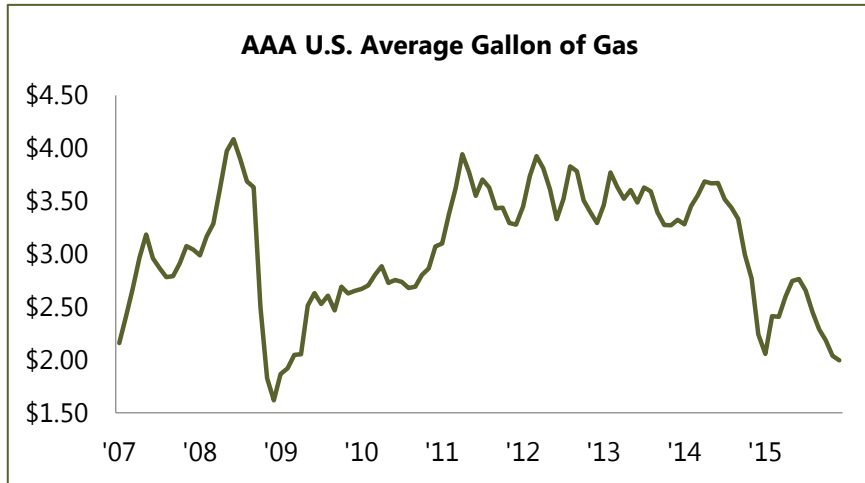
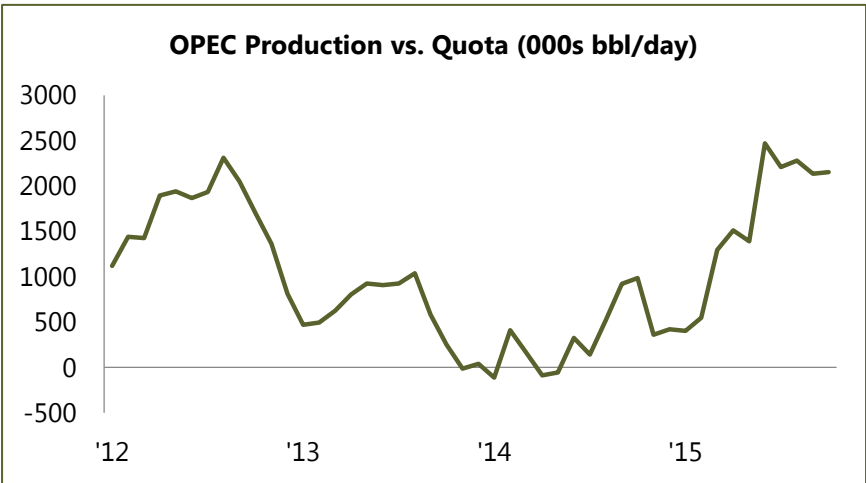
Domestic Daily Oil Production

U.S. Oil Production declined by 350,000 barrels per day through October 31st, 2015. However, the U.S. continues to produce near all-time highs.



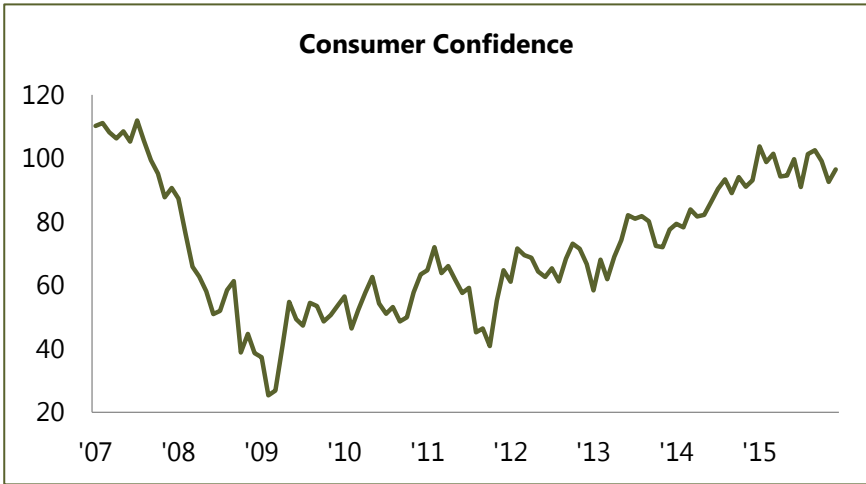
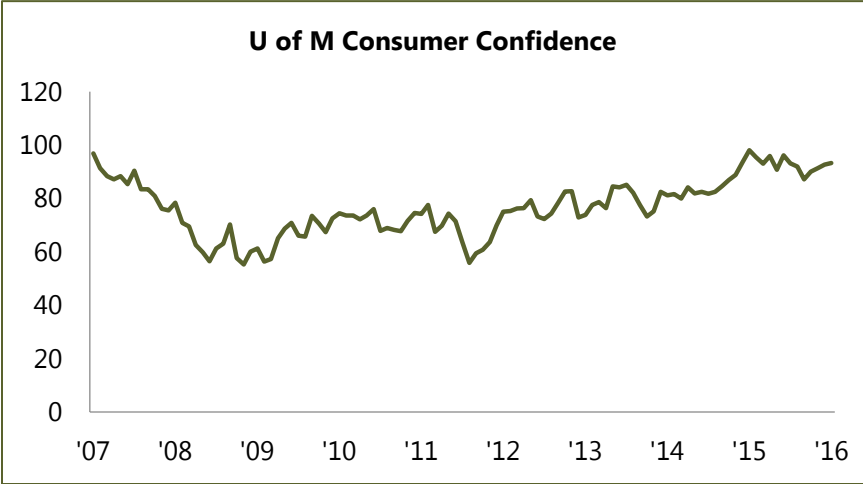
Oil Prices vs. Rig Counts

Gas prices continue to fall as WTI and the U.S. Rig count declines. OPEC continues to push forward with their goal of maintaining world-wide market share in the oil business, after scrapping their production quota at their December meeting.



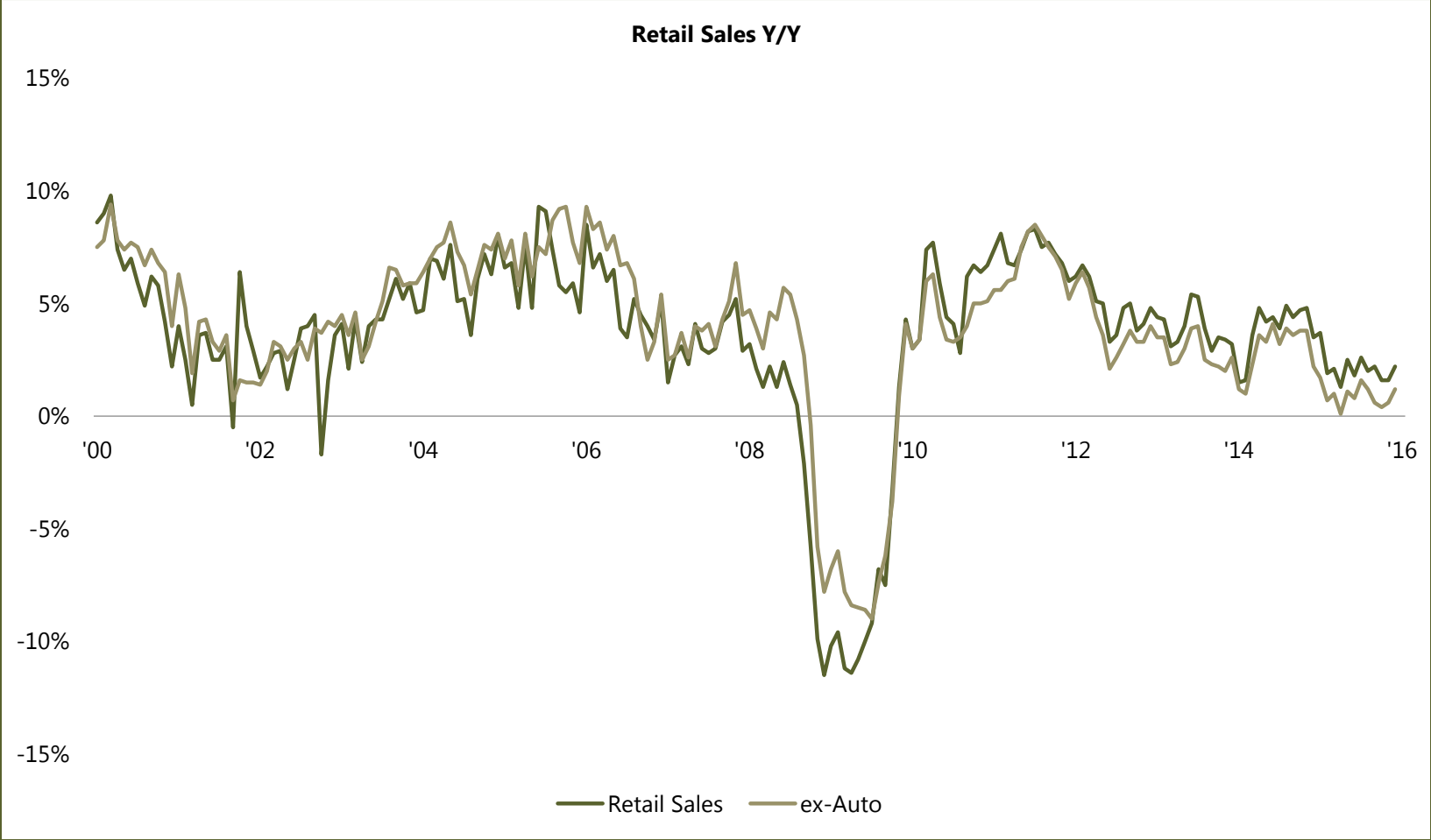
Measures of Confidence

Confidence Surveys saw mixed results over the last quarter, with consumer confidence reports indicating a positive economic outlook, while the Small Business Optimism Survey and CEO Confidence index continued to trend downwards.



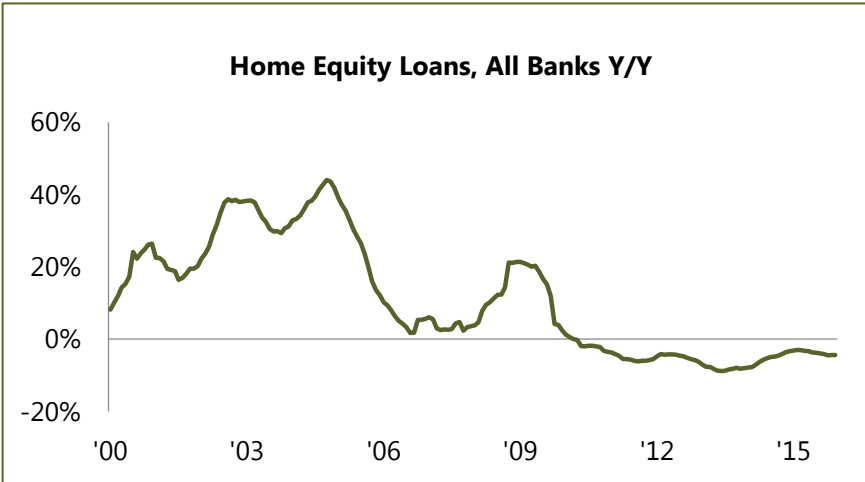
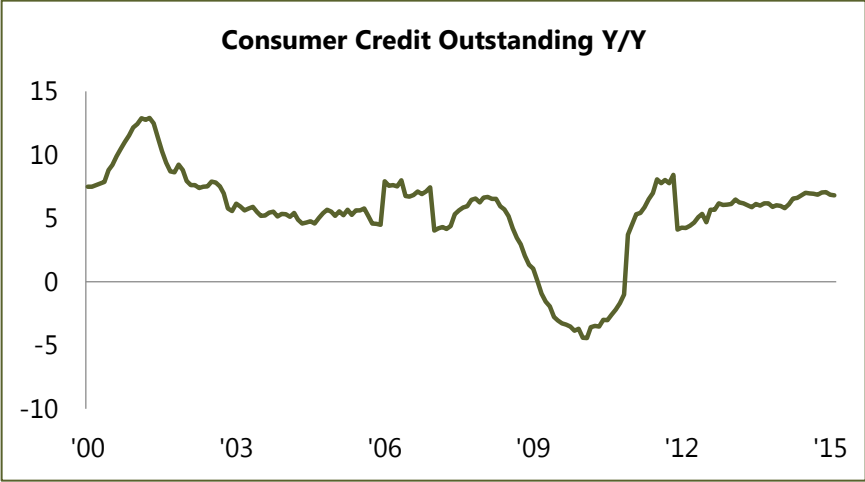
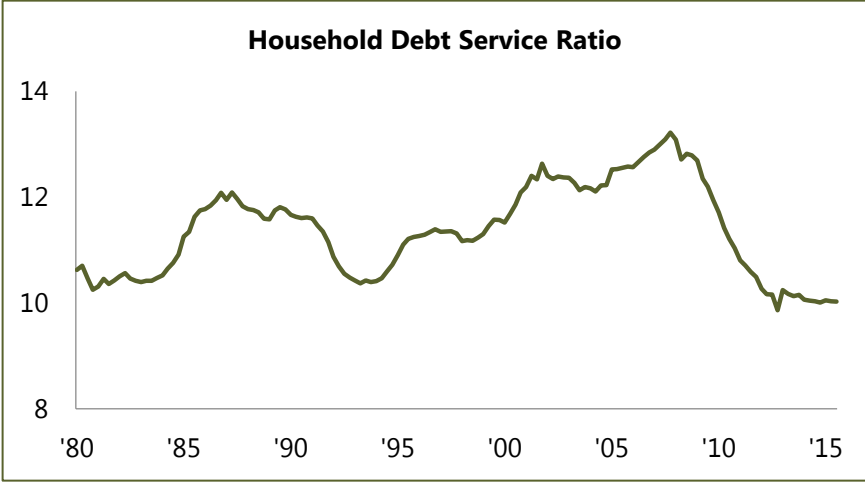
Retail Sales

Retail Sales have shown a slight improvement over the last quarter. It remains to be seen whether or not savings from lower gas prices will trickle down to retailers or remain in consumer bank accounts.



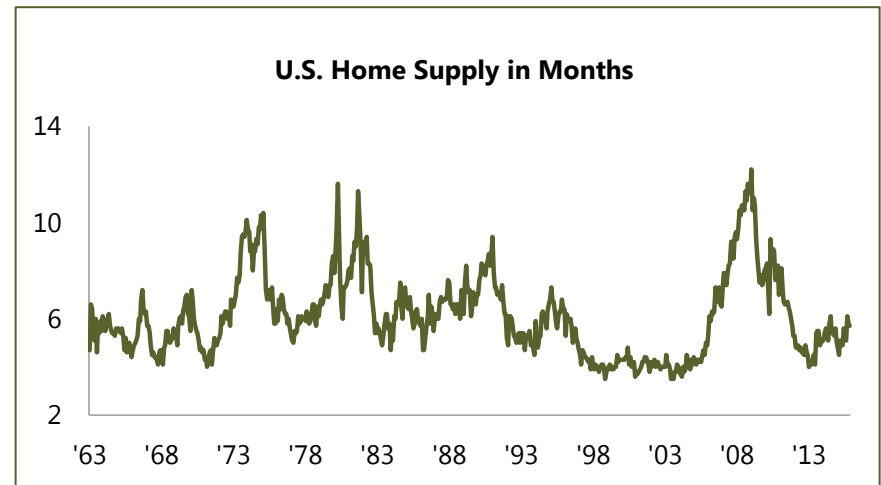
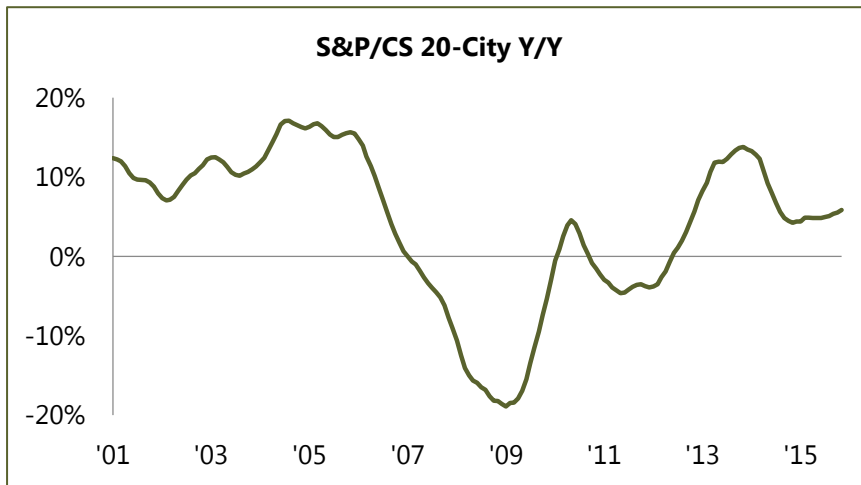
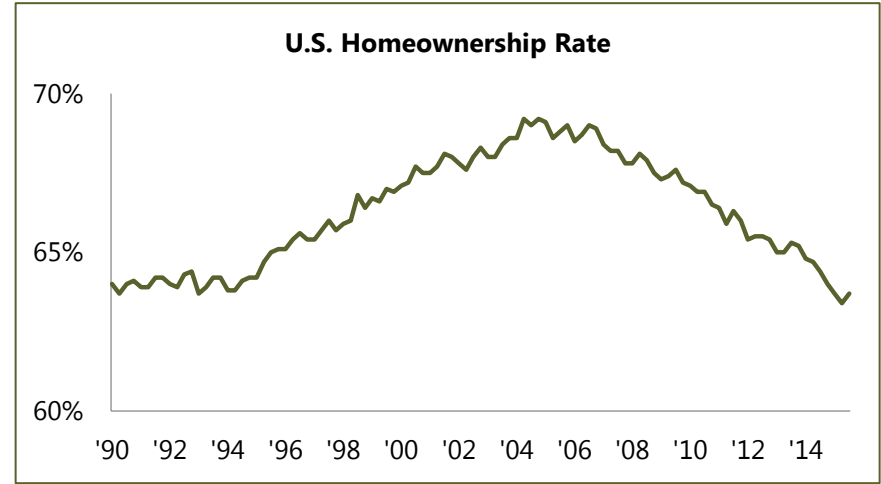
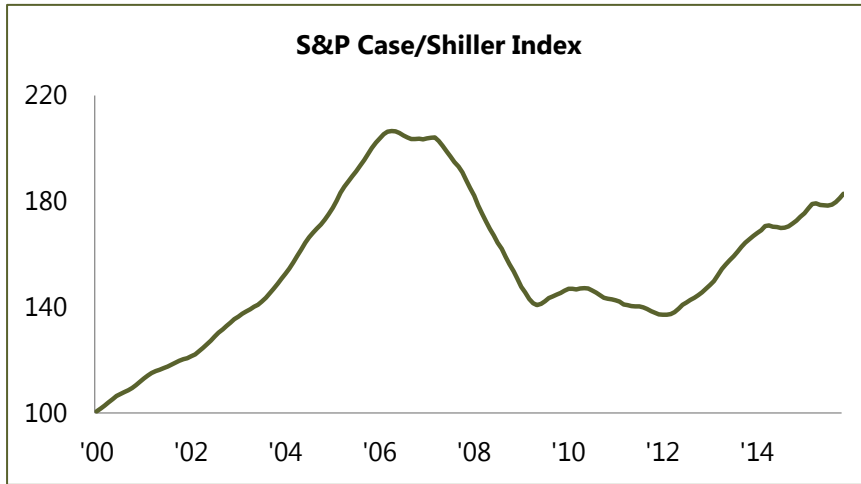
Consumer's Balance Sheets

Consumers continue to de-lever and increase personal savings rates, using savings from lower gas prices to shore up personal finances.



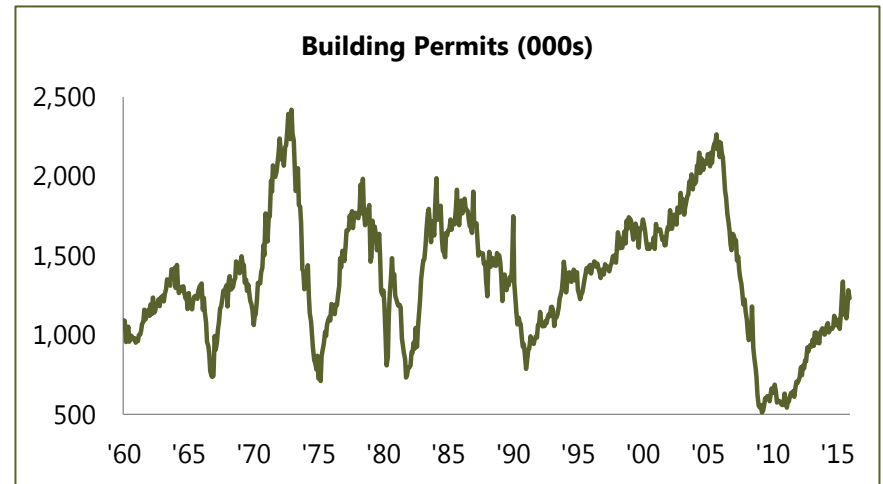
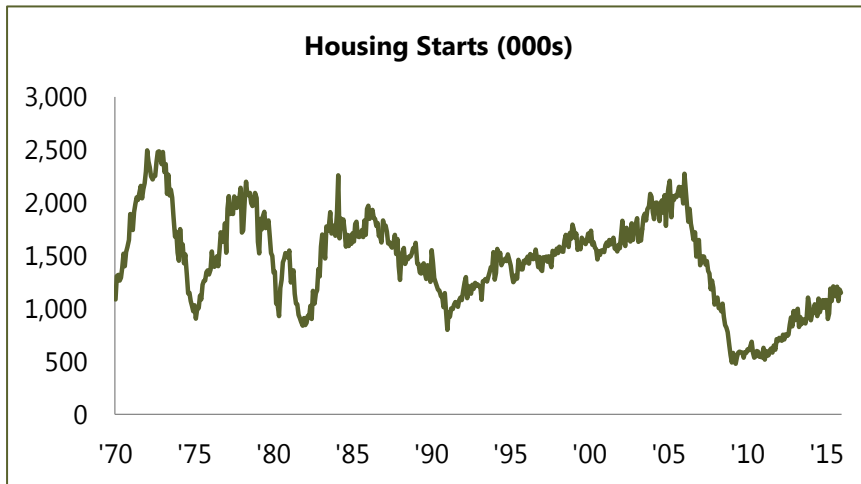
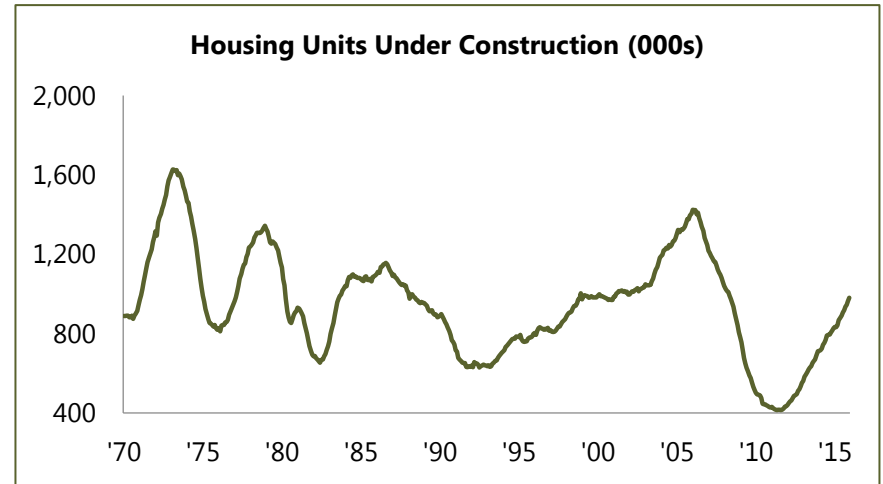
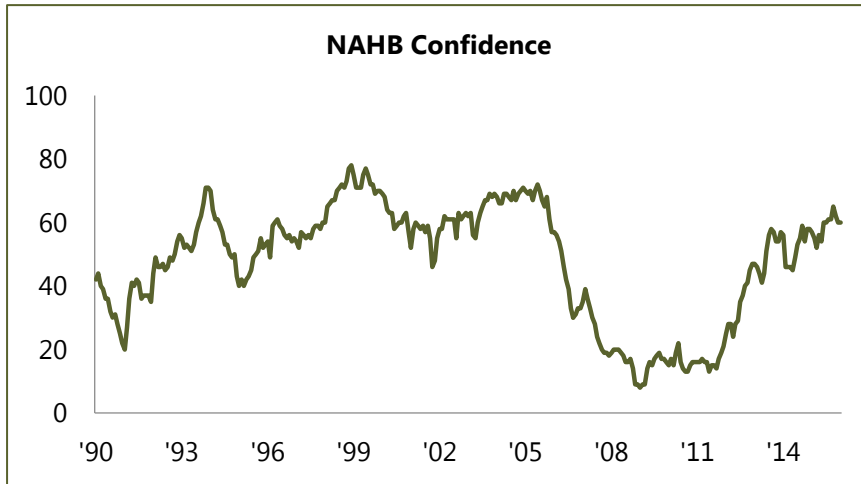
Housing

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.



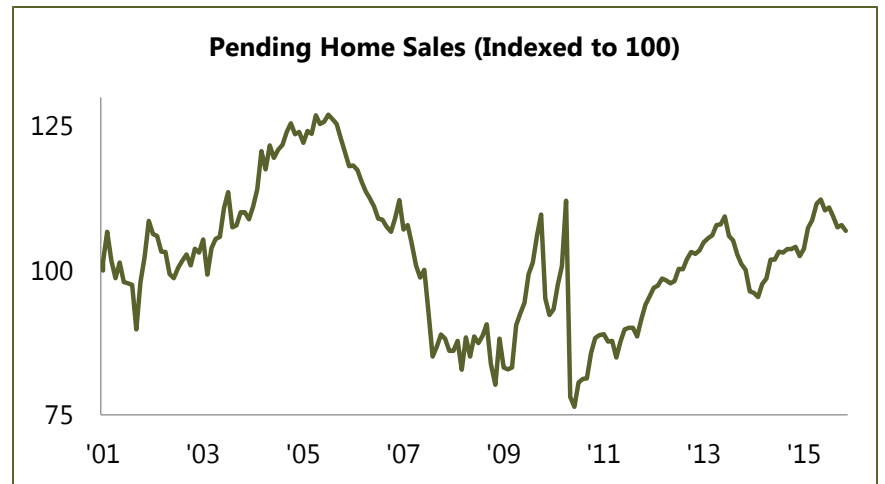
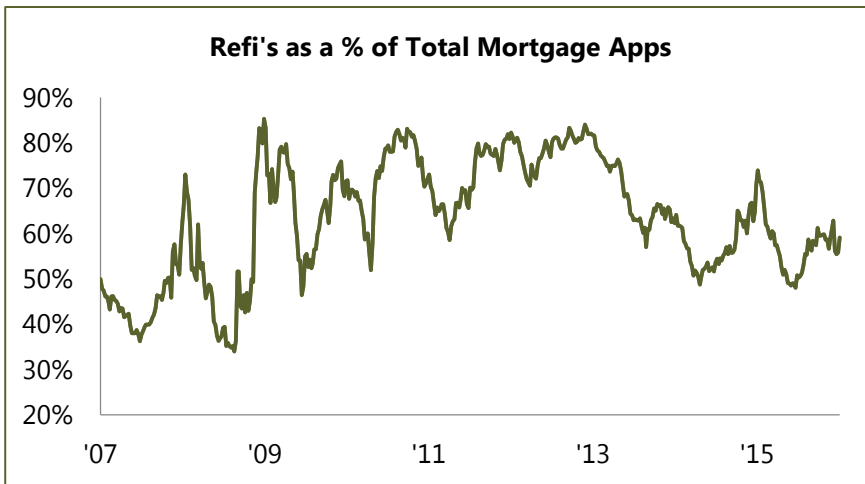
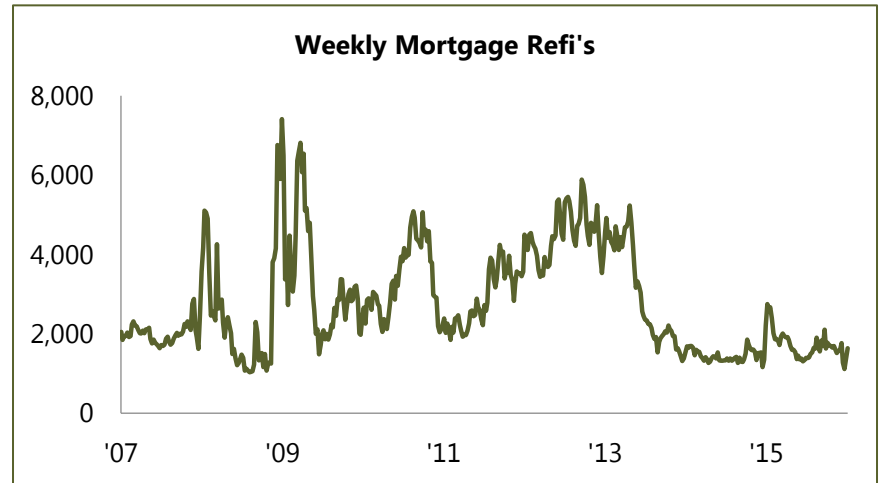
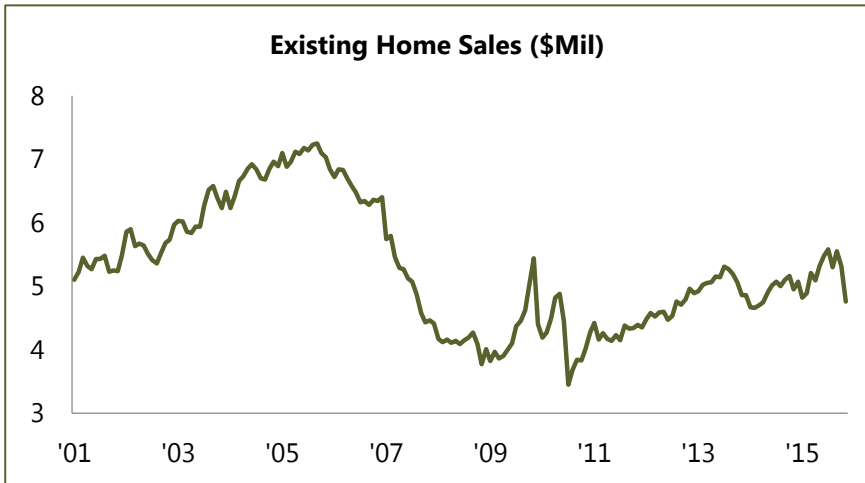
Housing

Homebuilder confidence remains near decade highs, while housing starts and permits remain at depressed levels.



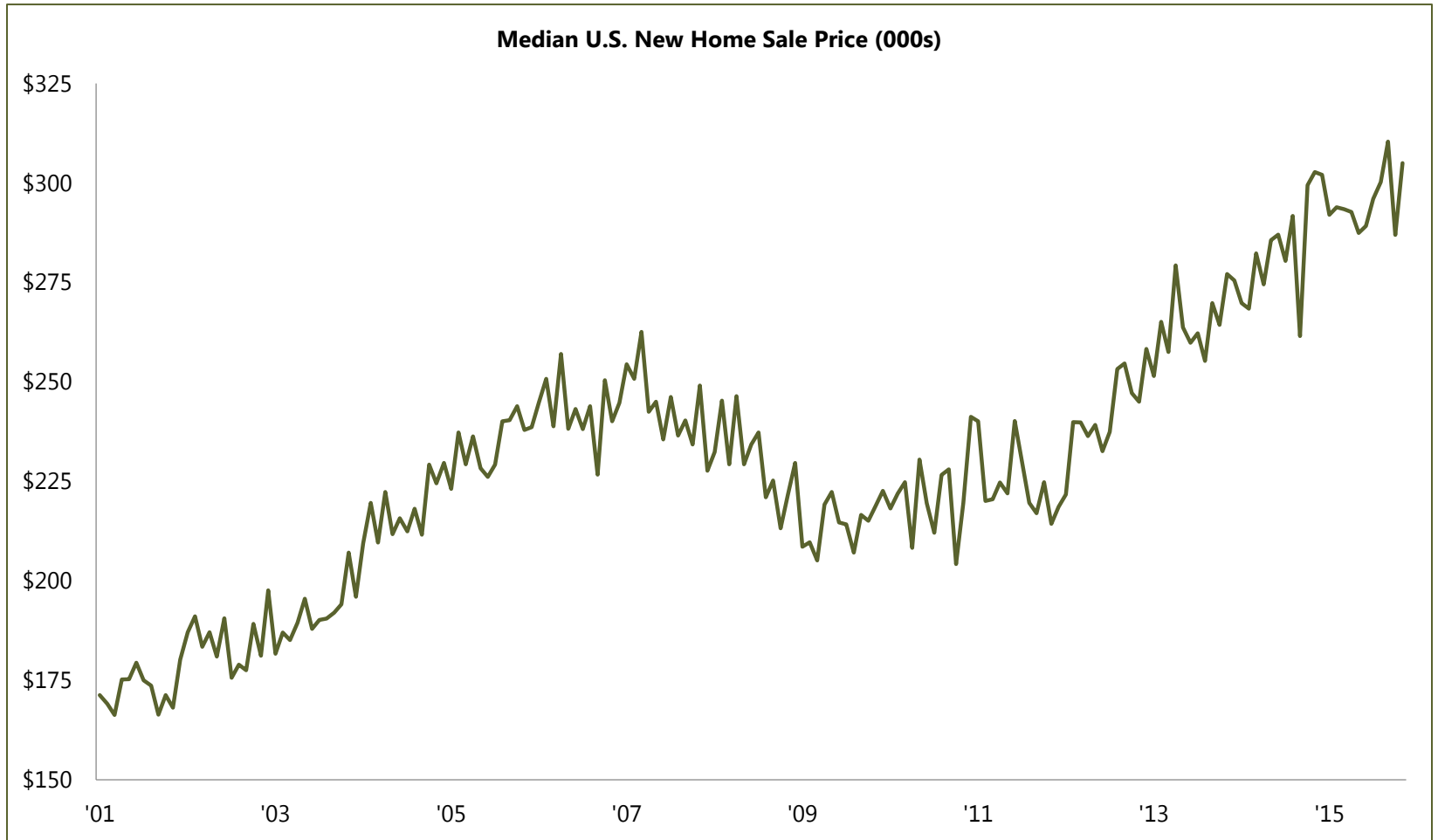
Housing

The continued prospect of higher interest rates next year should help drive heightened refinance activity into the spring. However, strict lending rules imposed by banks may prevent less credit-worthy individuals from receiving mortgages.



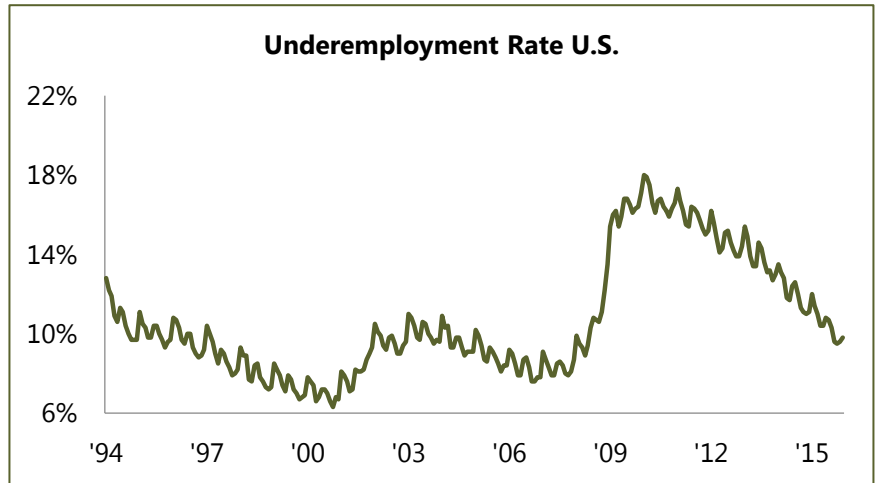
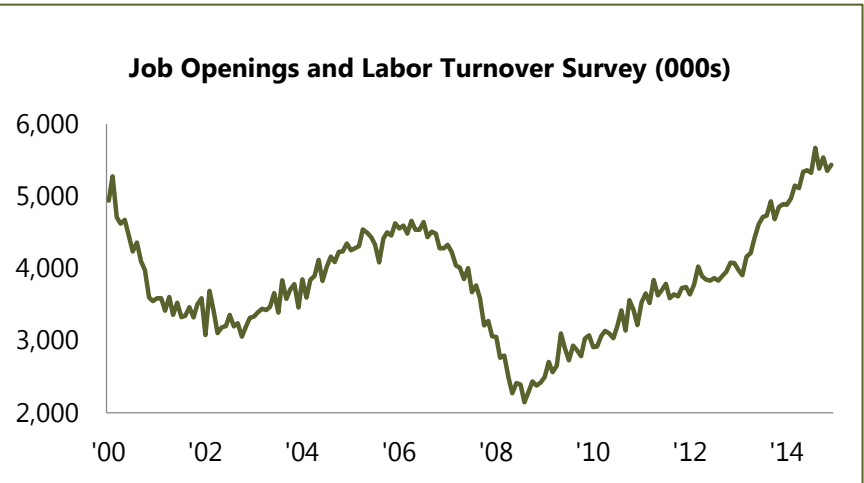
Housing

Home prices continue to trend higher, as demand continues to outpace supply.



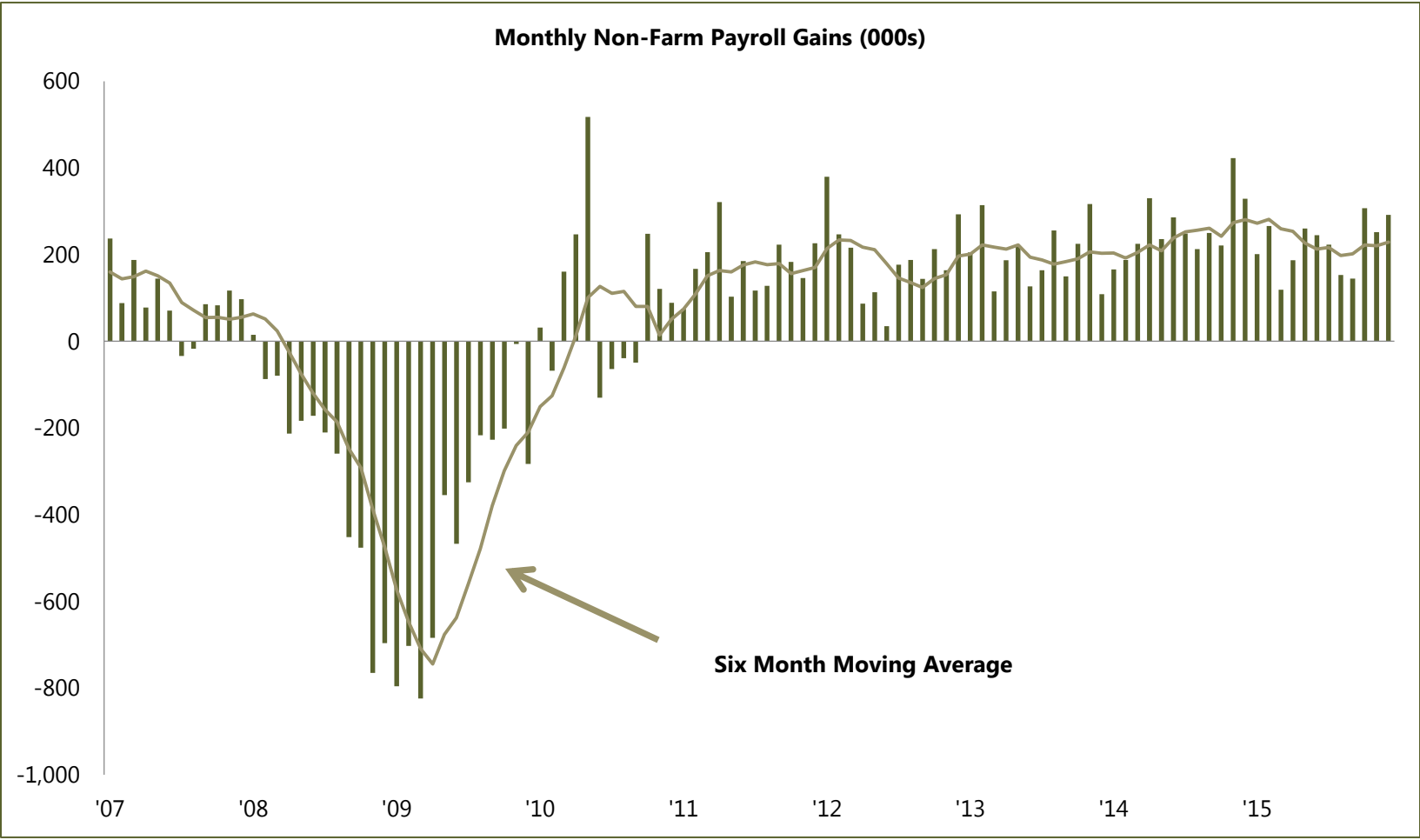
Labor Market Conditions

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.



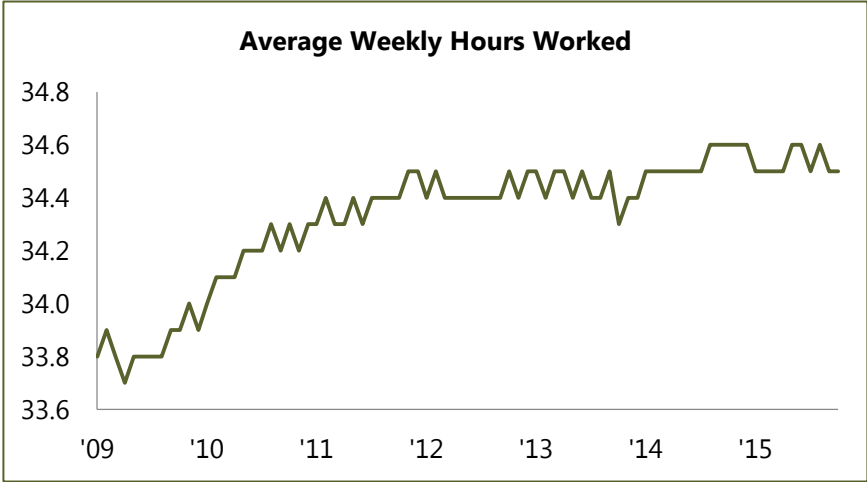
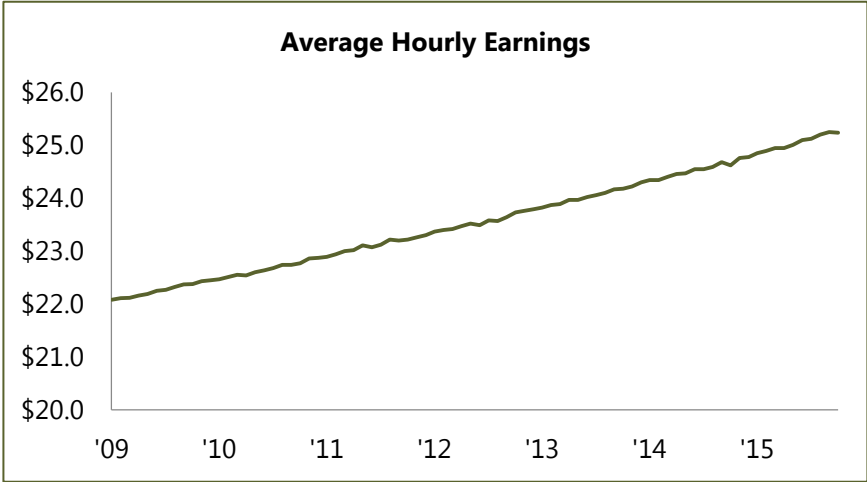
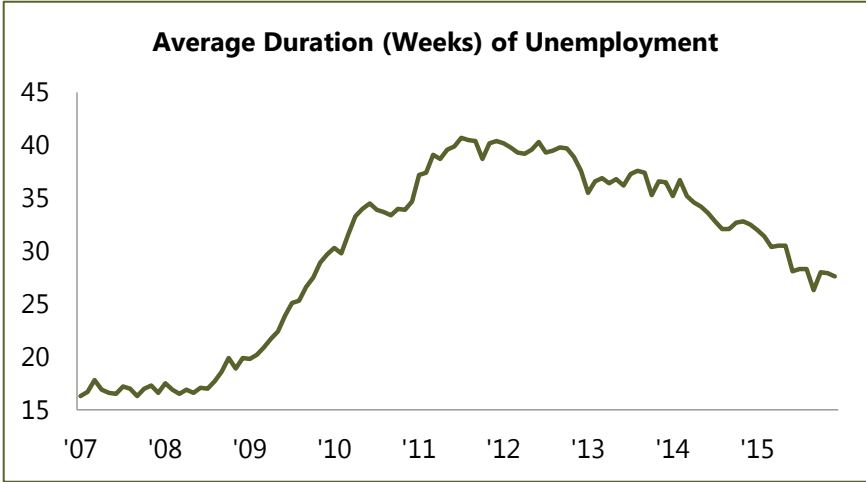
Labor Market Conditions

Additions to non-farm payrolls last quarter indicate the economy is moving towards full employment, despite temporary displacement of workers in commodity driven businesses.



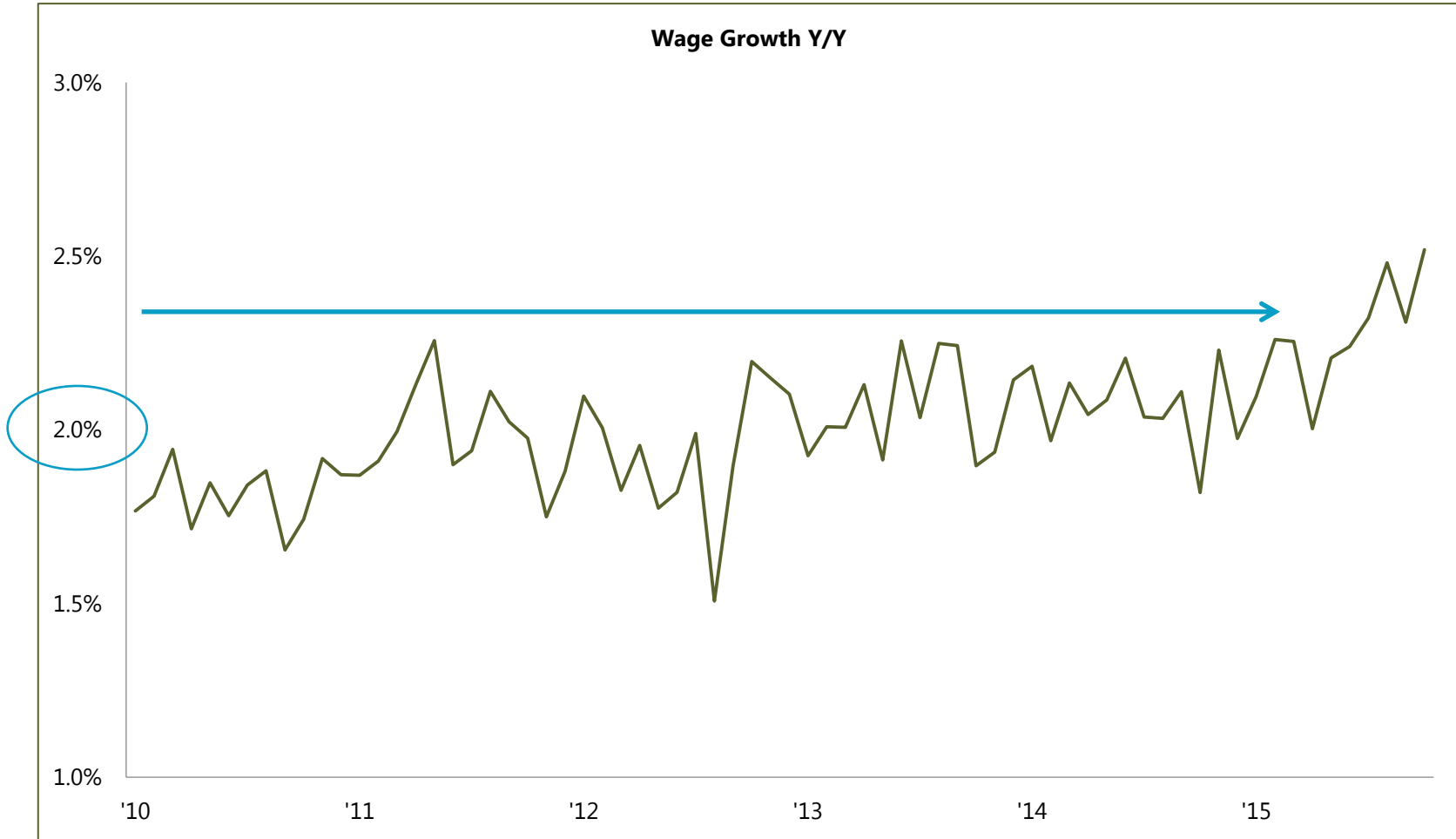
Labor Market Conditions

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



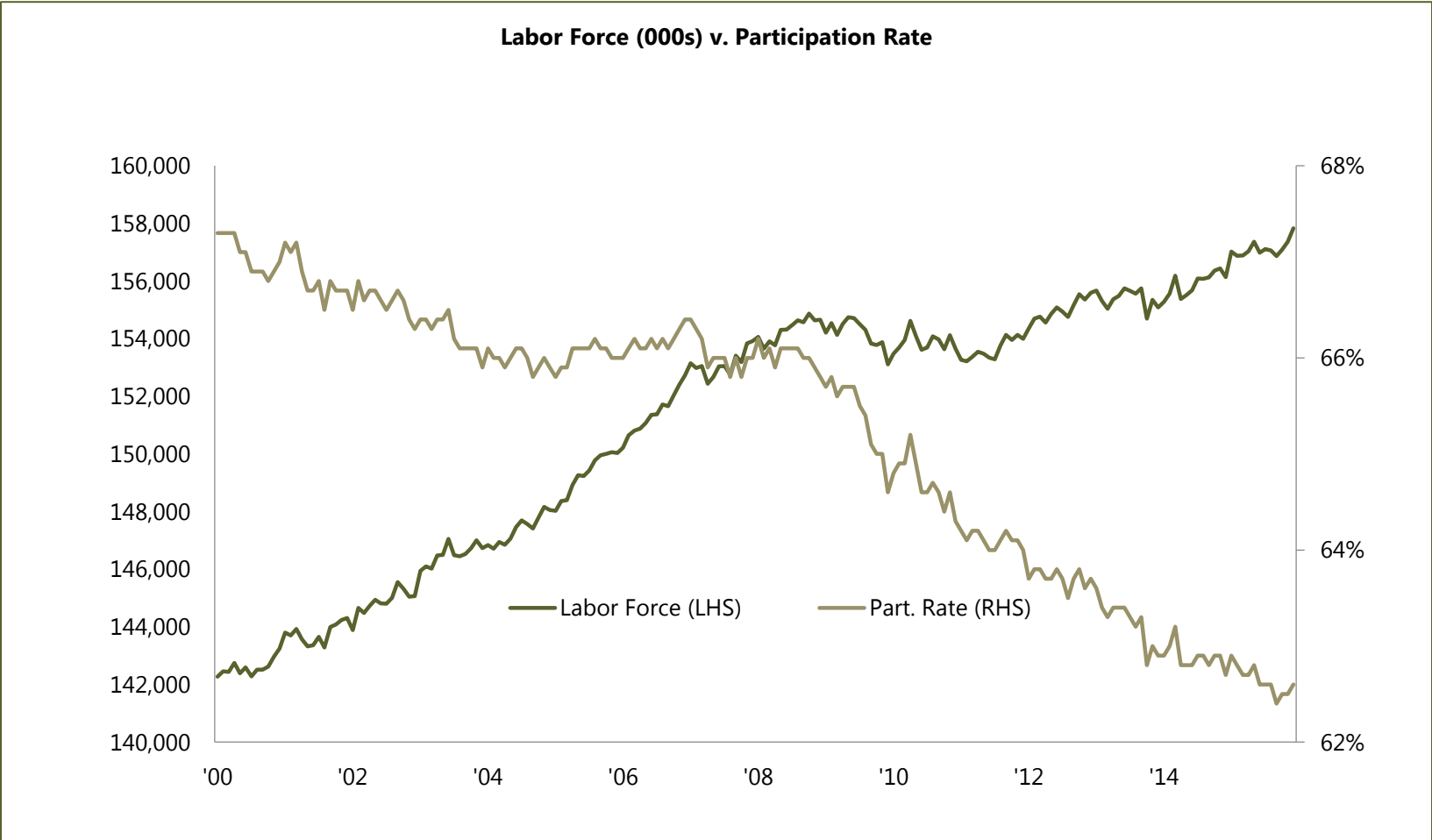
Labor Market Conditions

Wage growth picked up slightly to +2.5% Y/Y in December, which is an acceleration as of late, but nowhere near the +3-4% wage growth experienced pre-financial crisis.



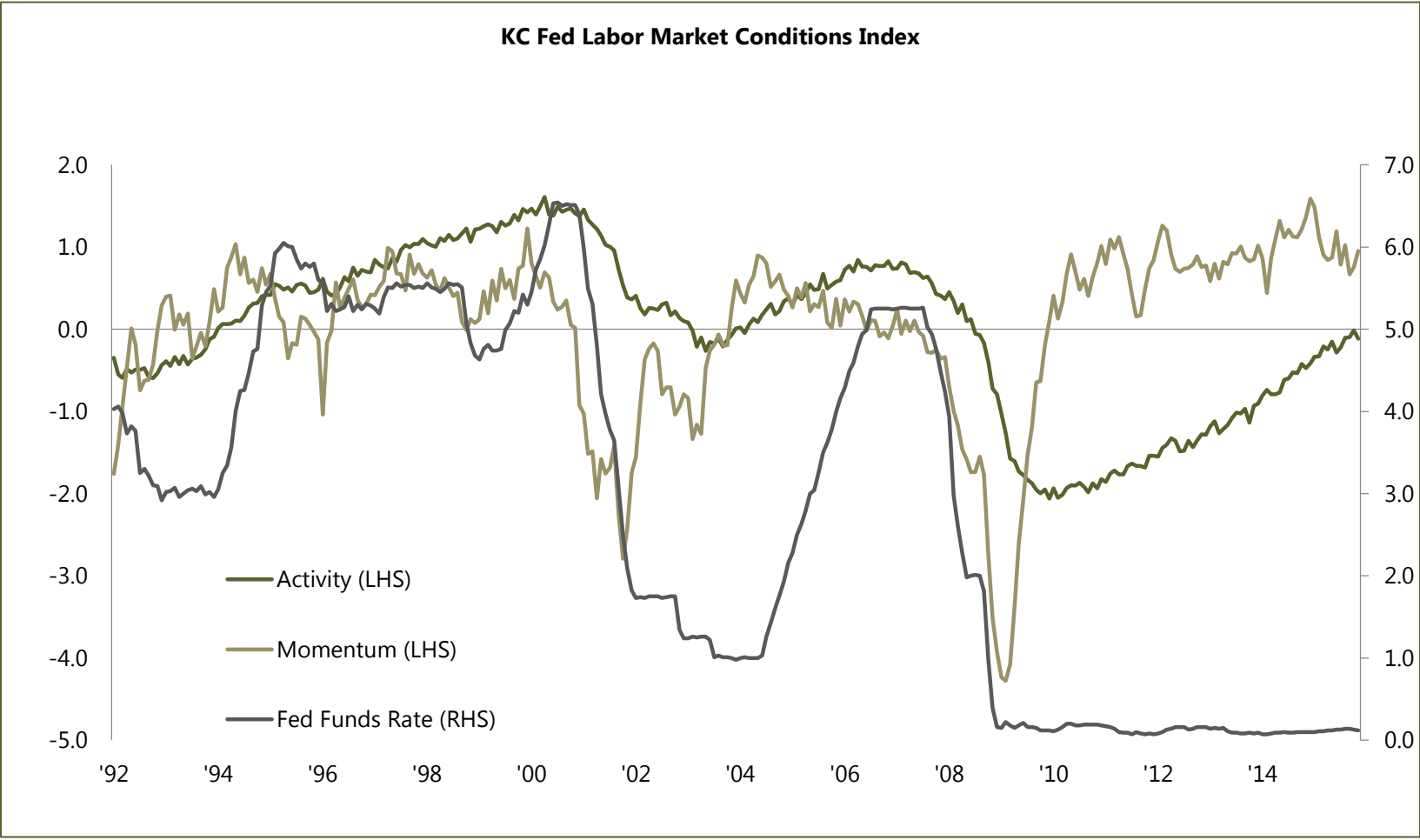
Labor Market Conditions

Both the Labor Force Size and Labor Force Participation Rate rose this quarter, causing the headline Unemployment Rate to decline while adding new jobs. The LFPR will continue to be a major factor towards substantial wage growth.



Kansas City Fed Labor Market Conditions Index

Labor market activity continued to grow through this past quarter. However, labor market momentum continues to fall towards its long term average. The value 0 on the LHS indicates the long term average for both activity and momentum indices.



Fed Funds Futures - Lower For Longer

With the Fed raising rates for the first time in nearly ten years, market expectations for future rate hikes remain below the FOMC projections. The probability of a hike in Q1 has fallen sharply from last quarter.

	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
1/27/2016	0.0%	8.0%	8.0%	92.0%	--	--	--	--	--
3/16/2016	20.2%	6.2%	6.2%	73.5%	20.2%	--	--	--	--
4/24/2016	26.1%	5.7%	5.7%	68.1%	24.5%	1.6%	--	--	--
6/15/2016	38.4%	4.7%	4.7%	56.9%	32.4%	5.7%	0.3%	--	--
7/27/2016	42.9%	4.3%	4.3%	52.7%	34.3%	7.9%	0.7%	--	--
9/21/2016	51.4%	3.6%	3.6%	45.0%	37.3%	12.1%	1.9%	0.1%	--
11/2/2016	56.0%	3.3%	3.3%	40.7%	38.1%	14.7%	2.9%	0.3%	--
12/14/2016	65.7%	2.5%	2.5%	31.9%	38.7%	20.2%	5.7%	0.9%	0.1%
2/1/2017	69.5%	2.2%	2.2%	28.3%	37.9%	22.4%	7.5%	1.5%	0.2%

Source: Bloomberg, as of 1/21/2016

GDP Forecasts

GDP Forecasts for the U.S. remain the strongest vs. other developed markets, while Chinese growth estimates continue to decelerate. However, fears of a hard landing remain as China manages its transition from an industrial to a consumption based economy.

USA	2014A	2015E	2016E	2017E
IMF	2.4%	2.6%	2.6%	2.6%
FED	2.4%	2.1%	2.4%	2.2%
OECD	2.4%	2.4%	2.5%	2.4%
WOB	2.4%	2.7%	2.8%	2.4%
EC	2.4%	2.6%	2.8%	2.7%

Eurozone	2014A	2015E	2016E	2017E
ECB	0.9%	1.5%	1.7%	1.9%
EC	0.9%	1.6%	1.8%	1.9%
OECD	0.9%	1.5%	1.8%	1.9%
IMF	0.9%	1.5%	1.7%	1.7%

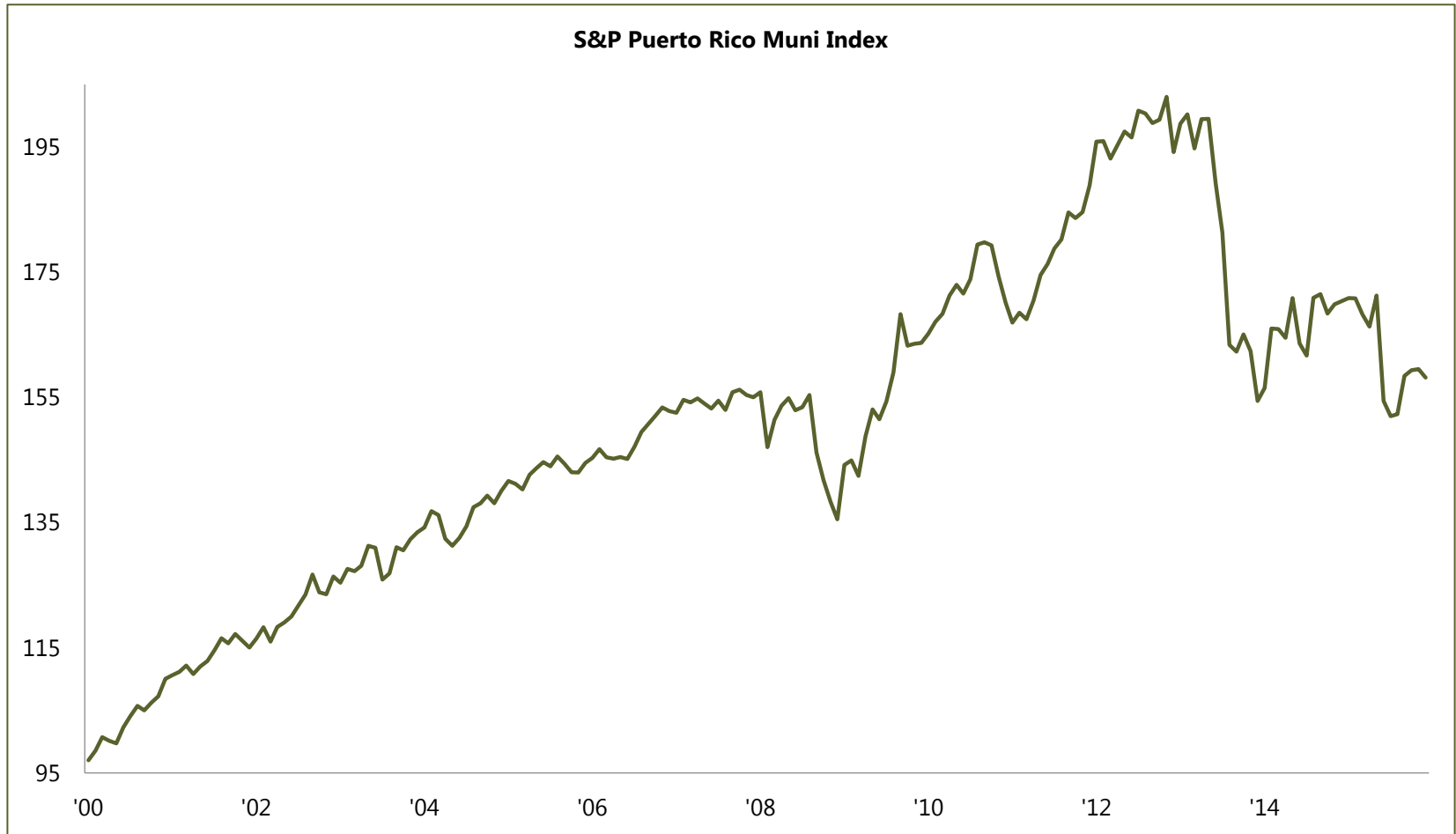
China	2014A	2015A	2016E	2017E
NPC	7.3%	6.9%	--	--
ADB	7.3%	6.9%	6.7%	--
OECD	7.3%	6.9%	6.5%	6.2%
IMF	7.3%	6.9%	6.3%	6.0%
WOB	7.3%	6.9%	6.7%	6.5%

Emerg Mkts	2014A	2015E	2016E	2017E
CC	4.7%	4.0%	4.6%	5.0%
BRIC	2014A	2015A	2016E	2017E
CC	5.4%	7.0%	5.2%	5.6%

Source: Bloomberg, as of 1/21/2016

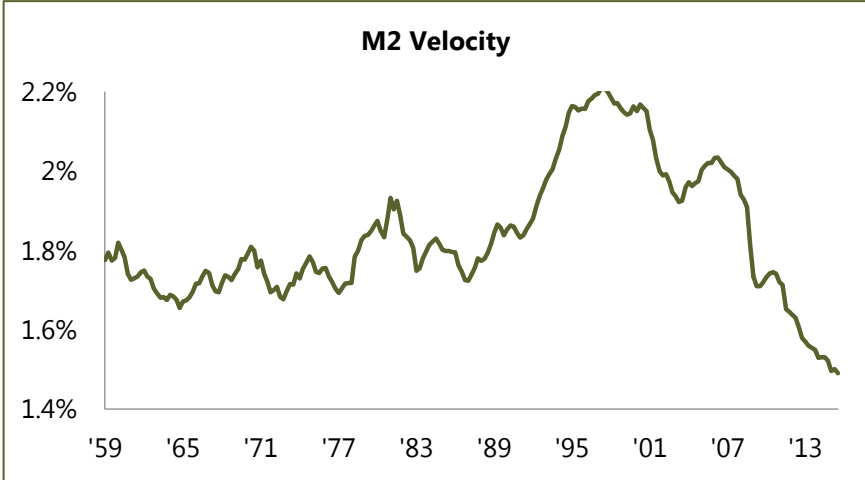
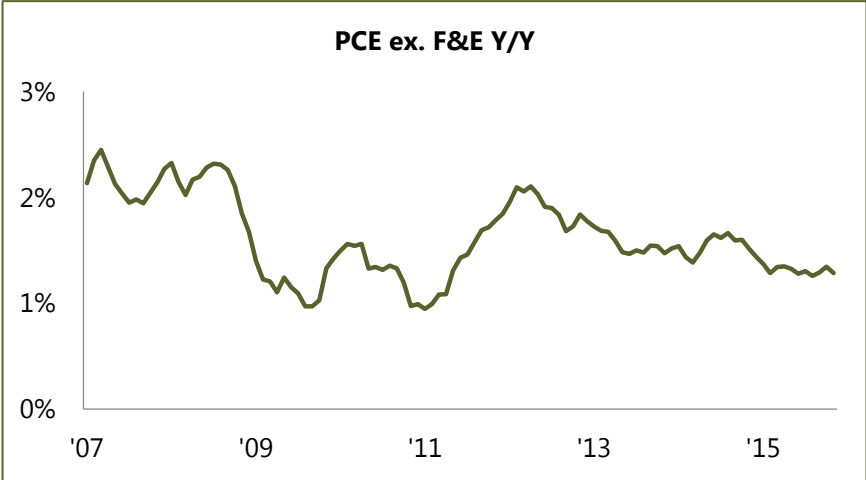
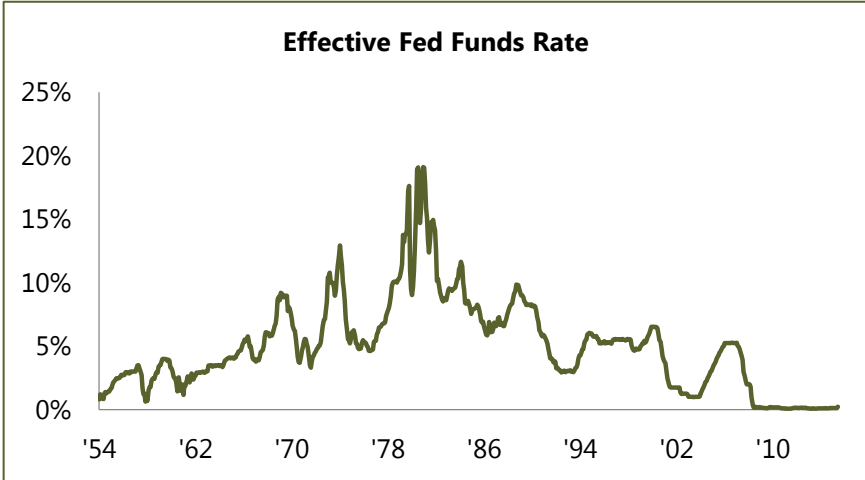
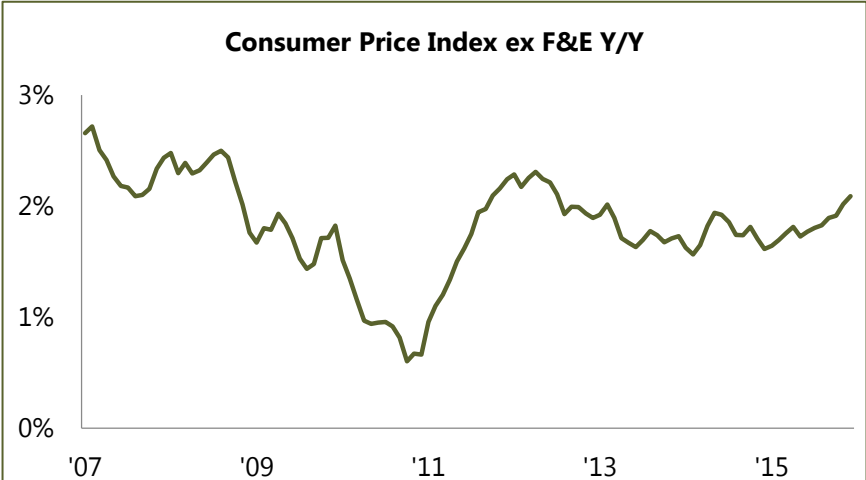
Monitoring Puerto Rico for a Credit Crisis

Puerto Rico continues to suffer from their ongoing debt problems. The territory has amassed \$72 billion in debt without the means to repay it. While currently unable to legally claim bankruptcy, it remains to be seen if U.S. politicians will allow Puerto Rico to do so.



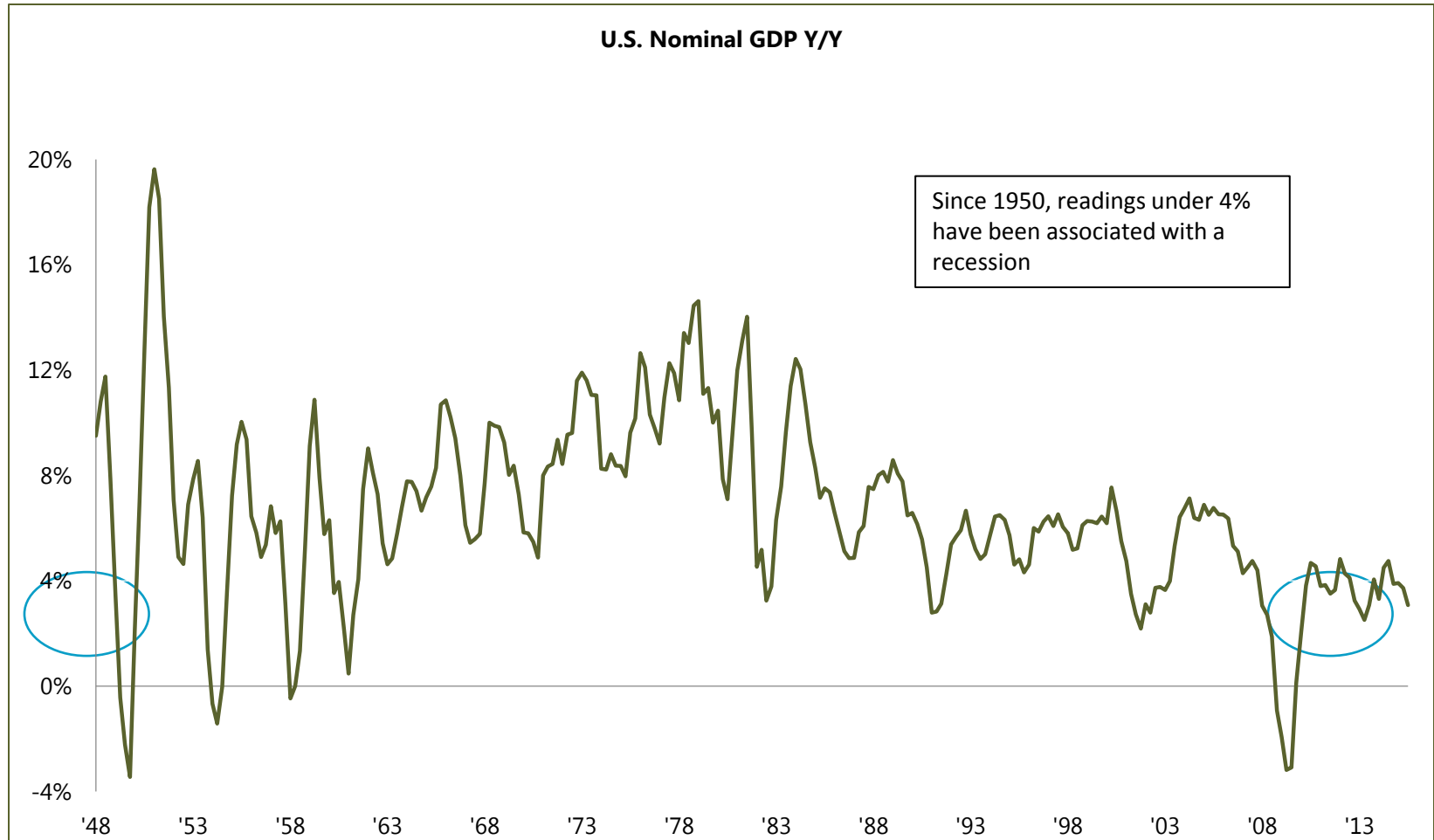
Inflation a Non-Issue

While the headline Consumer Price Index (CPI) ex-food and energy continues to tick higher, the Fed's preferred inflation metric, the PCE Index continues to hover below its +2% inflation target.



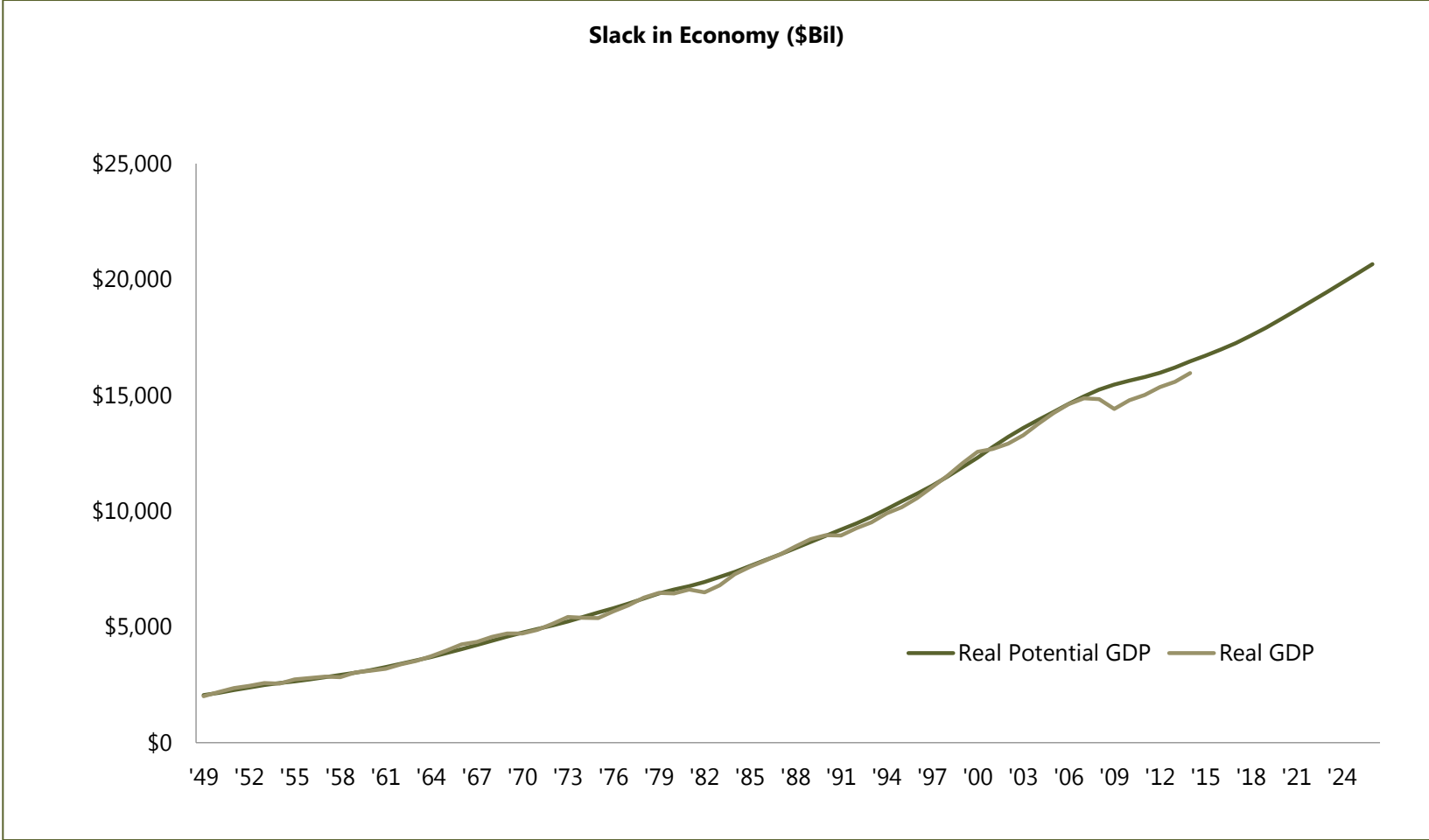
Nominal GDP Remains Weak

Nominal GDP in the third quarter fell to 3.1%, continuing to support a muddle-through economy.



Slack in Economy?

Regardless of the perceived “slack” in the economy, the Fed raised interest rates this past quarter.



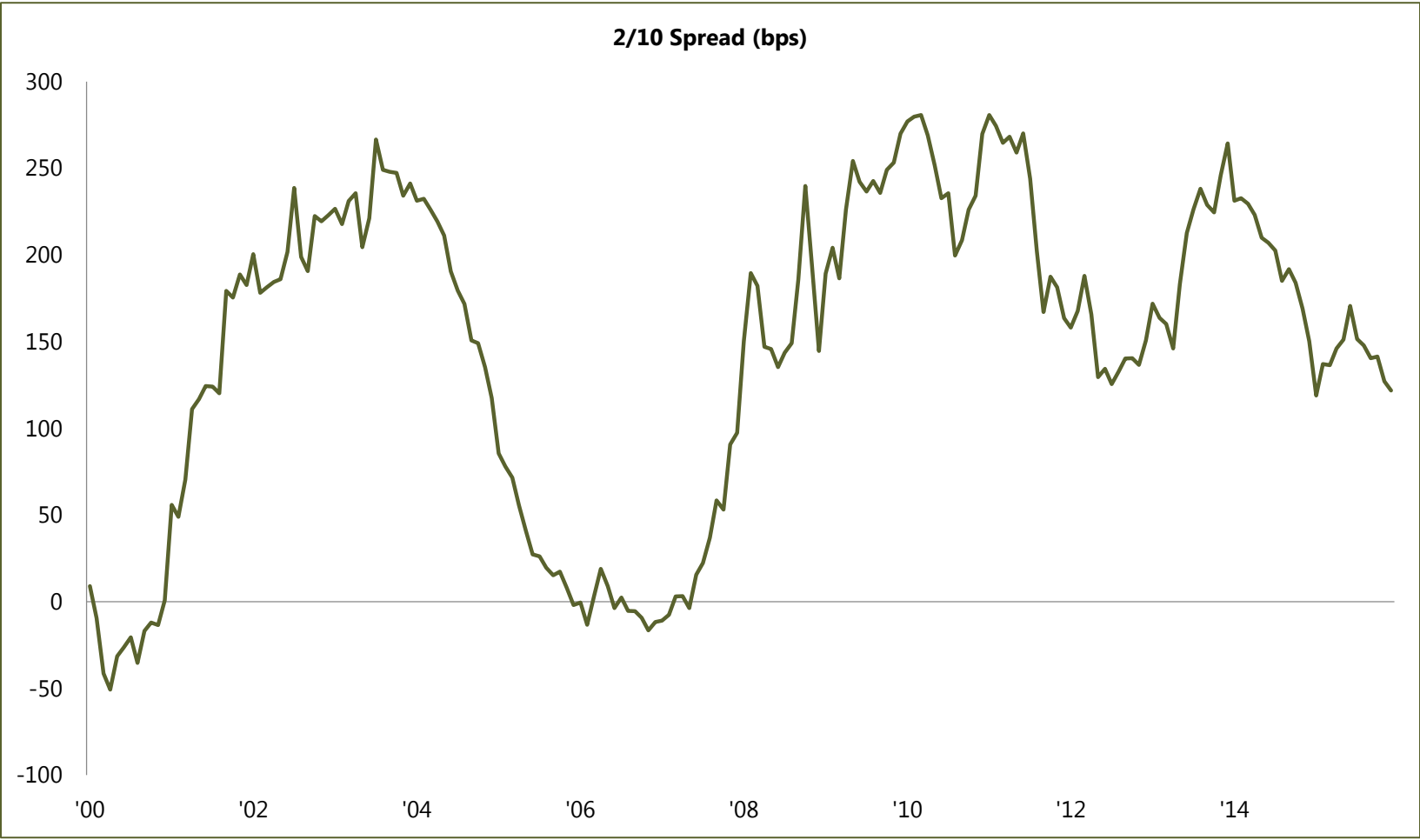
Forward Breakeven Inflation Expectations

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.



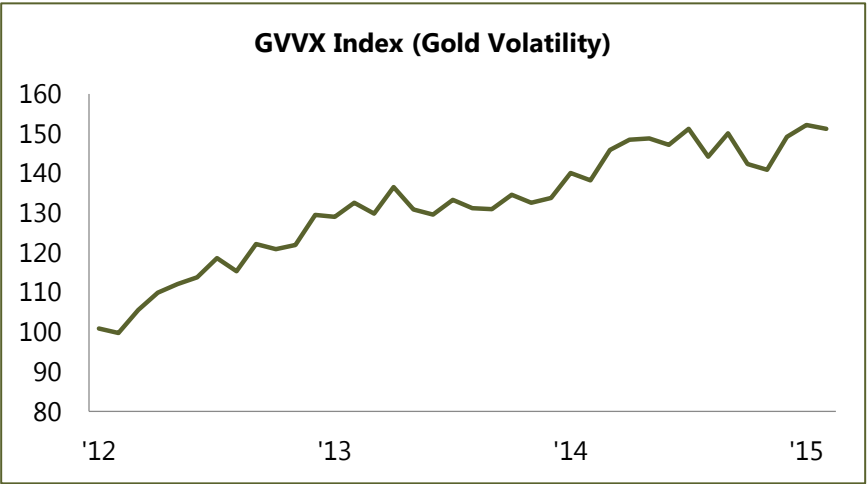
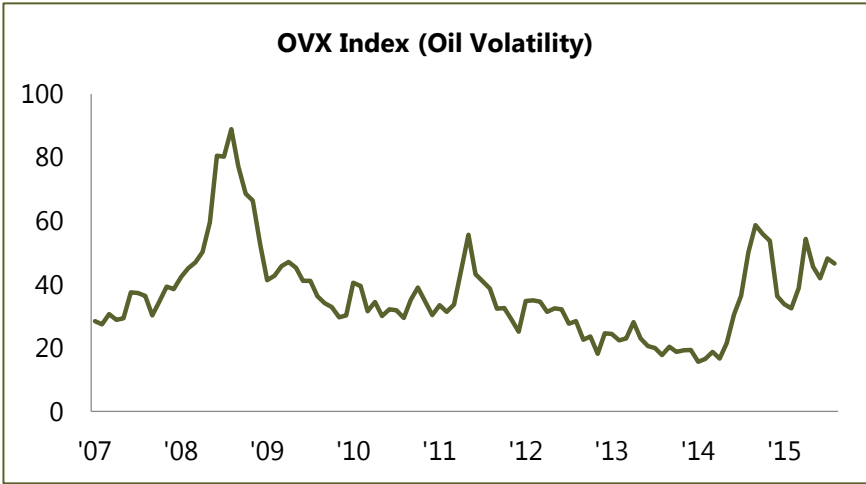
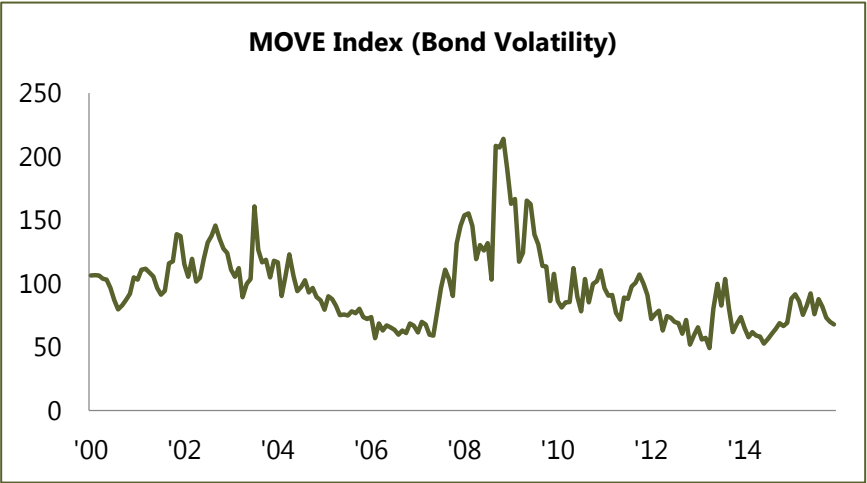
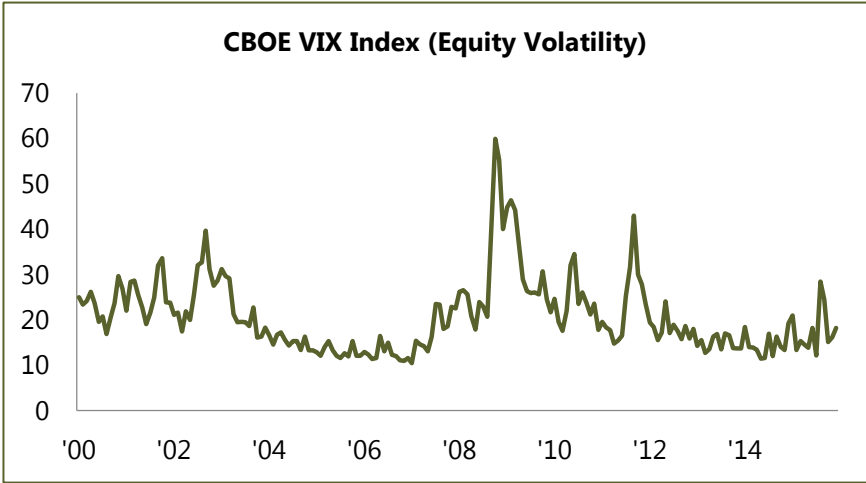
2/10 Spread (Bear Flattener Continues)

The spread between the U.S. Government 10 year yield and 2 year yield narrowed 18 basis points since last quarter, indicating the continuing Bear Flattener.



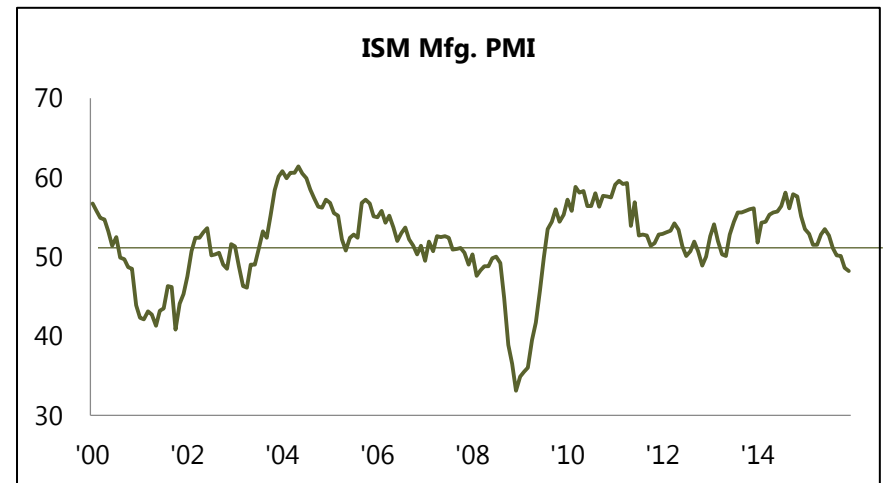
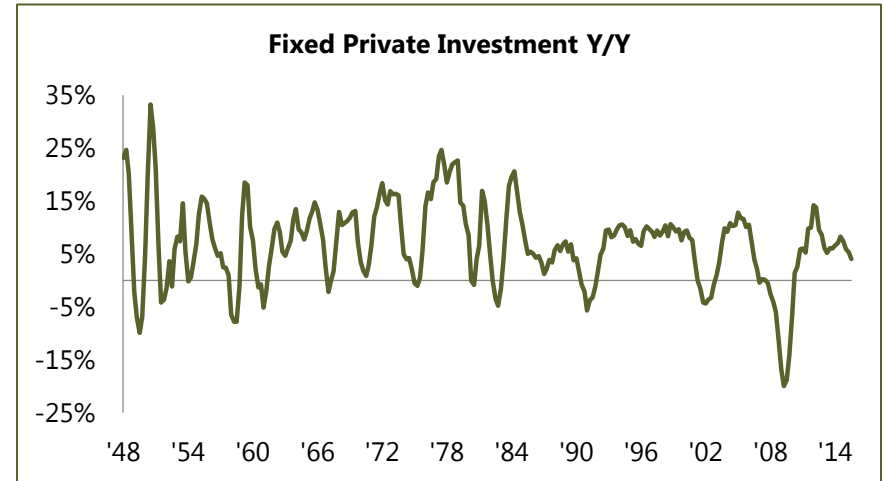
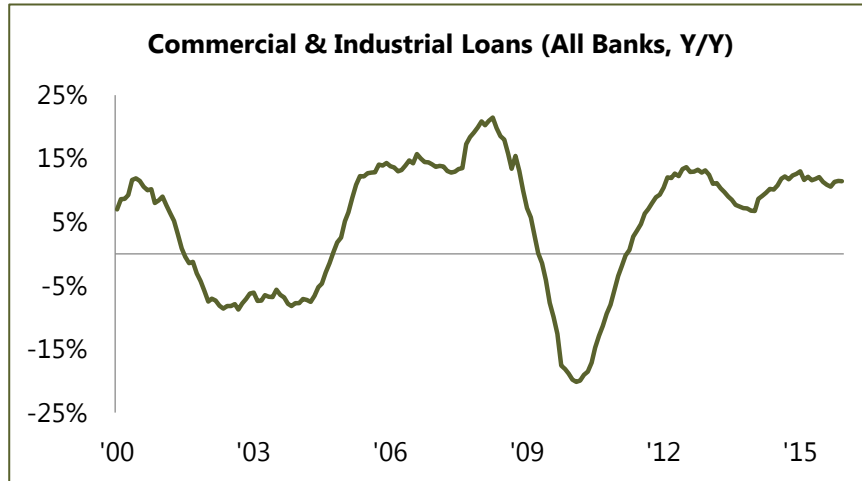
Volatility Monitor

Volatility across asset classes remains elevated and should continue throughout 2016.



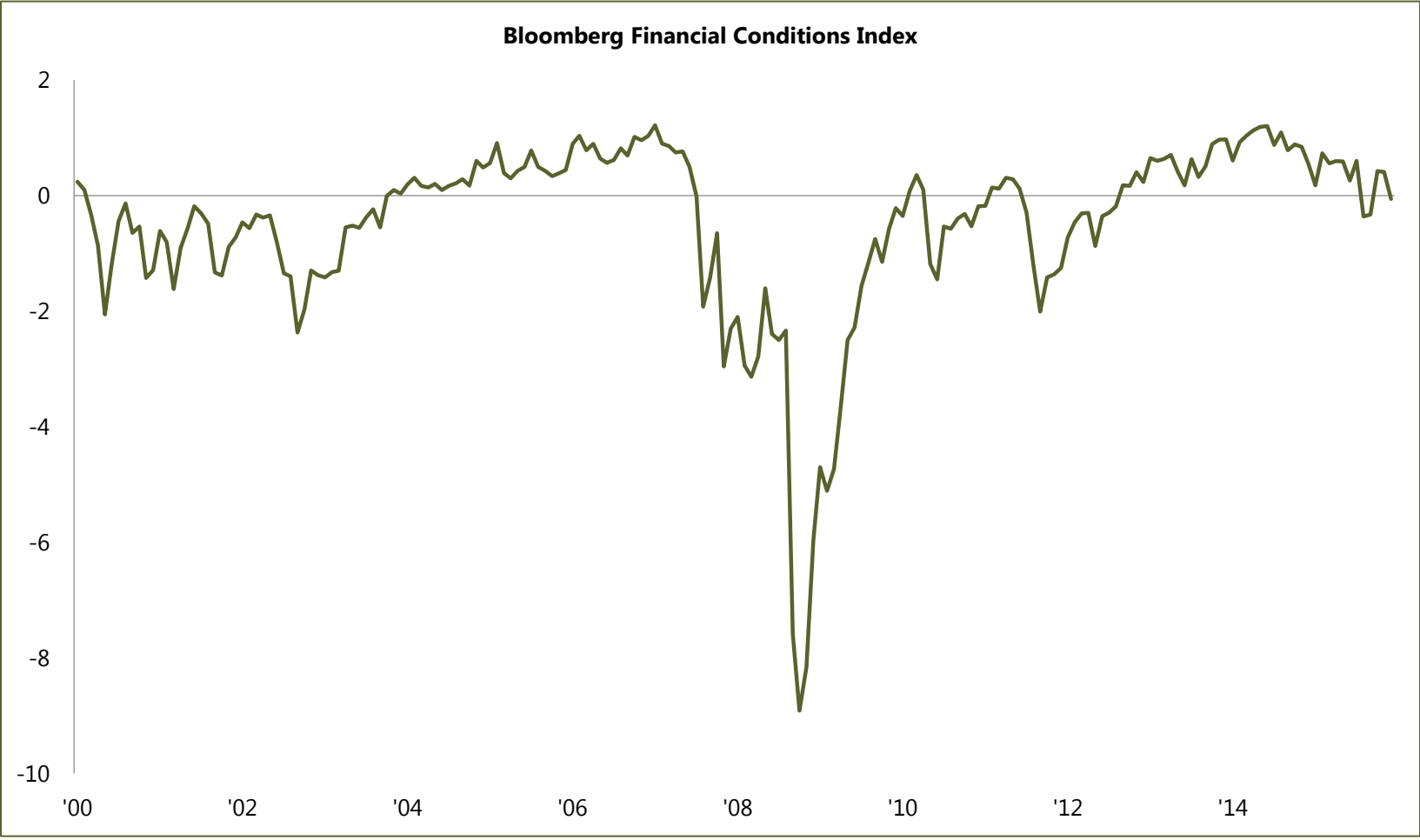
Key Economic Indicators

U.S. Manufacturing PMI fell below 50 last quarter, indicating a contraction in the manufacturing sector. Non-Defense Capital Goods Ex-Aircraft (a proxy for CAPEX) contracted year over year in the fourth quarter as companies pulled back on capital spending.



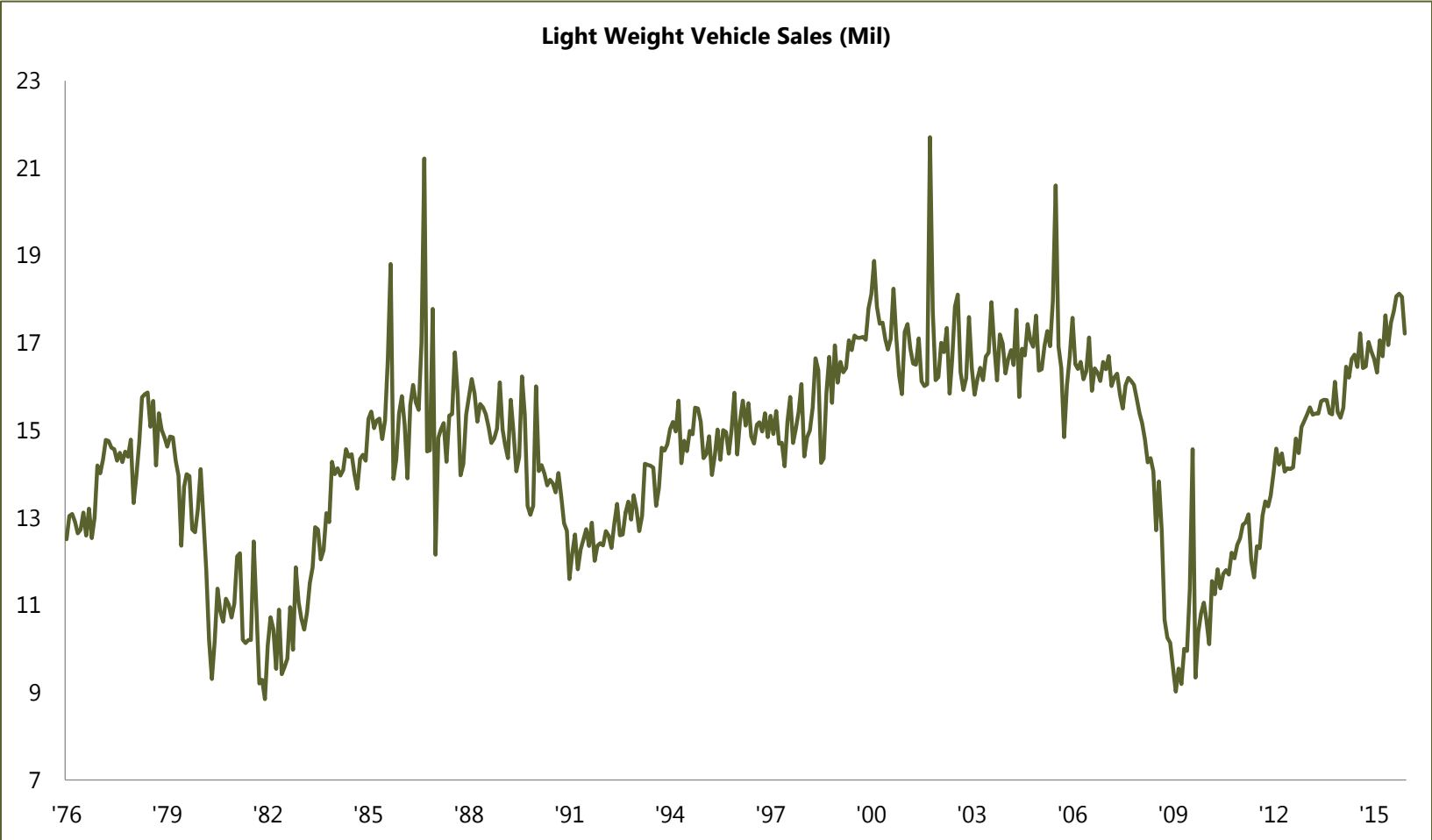
Key Economic Indicators

The overall availability and cost of credit have fluctuated in recent months. A positive value indicates accommodative financial conditions, while a negative value indicates tighter financial conditions relative to pre-crisis norms (1994-2008).



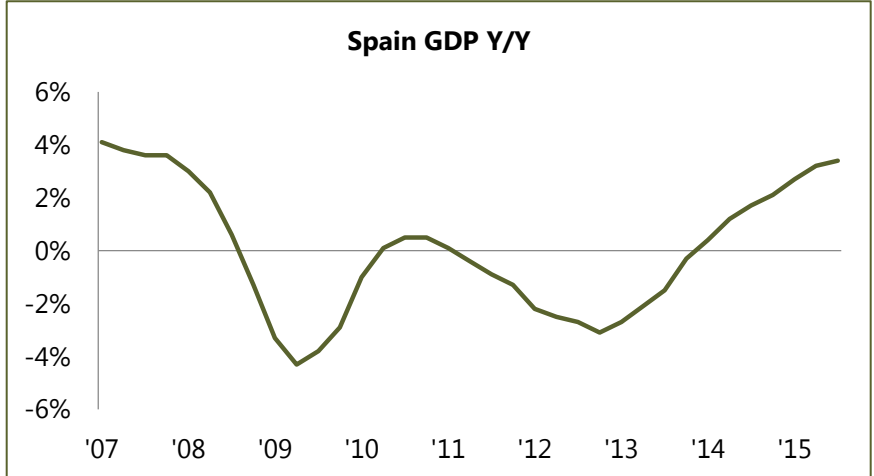
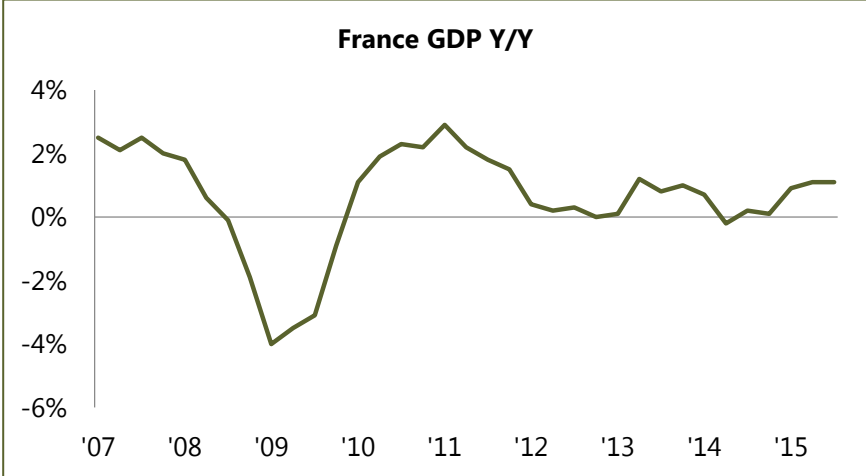
Auto Sales

Auto Sales reached their highest level in nearly a decade in the fourth quarter.



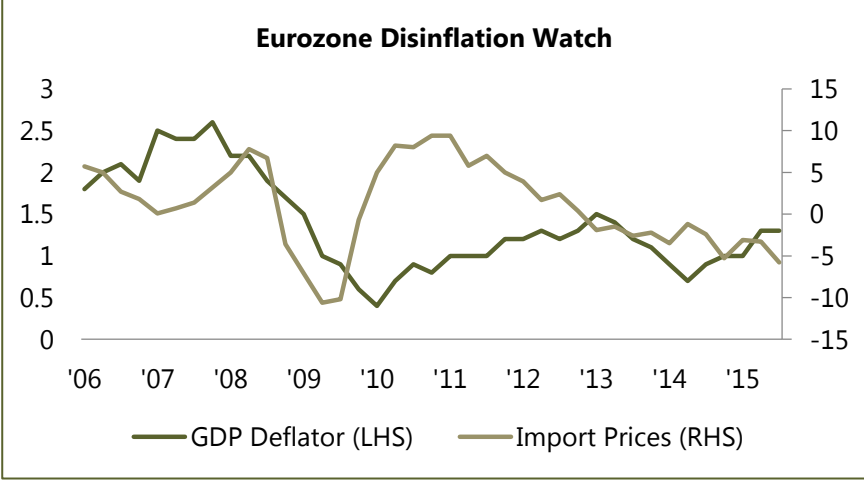
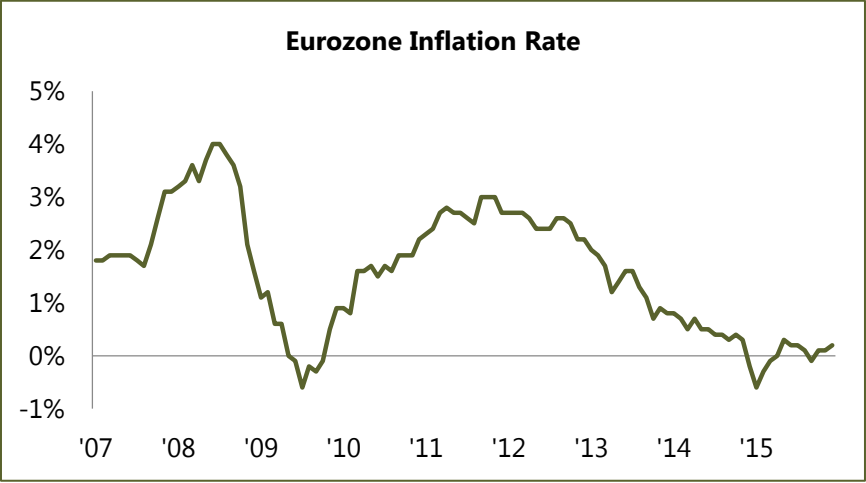
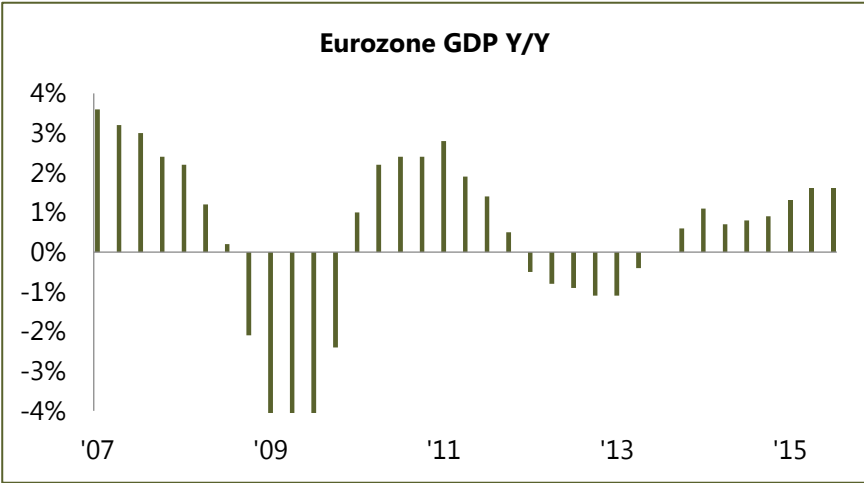
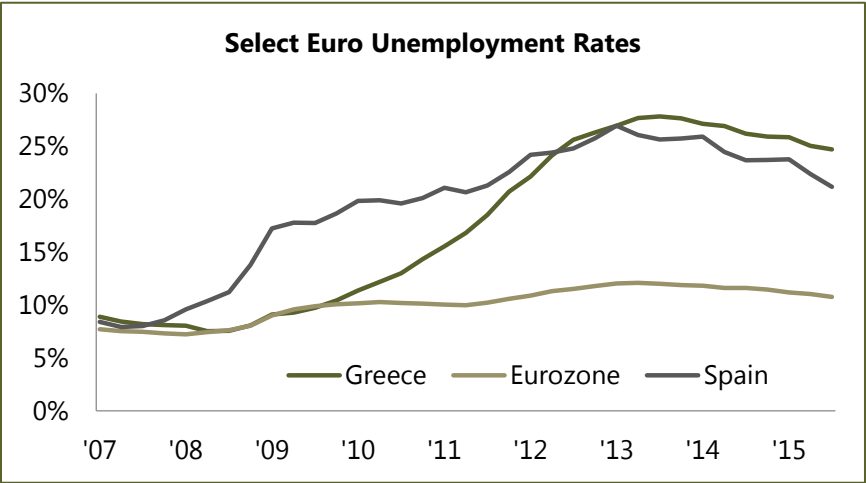
Eurozone GDP Growth Rates

The Quantitative Easing measures utilized by the ECB are intended to stimulate growth in the European Union. Data through the third quarter continues to show slight improvement. However, growth still remains subdued through Q3 2015.



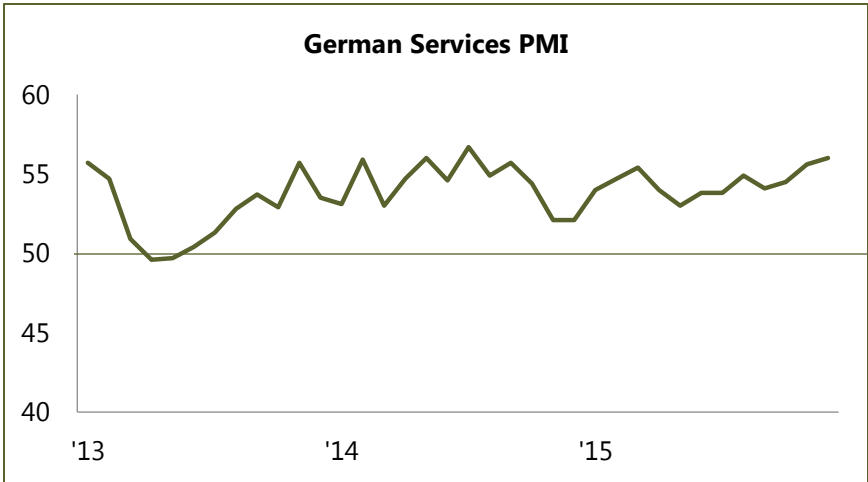
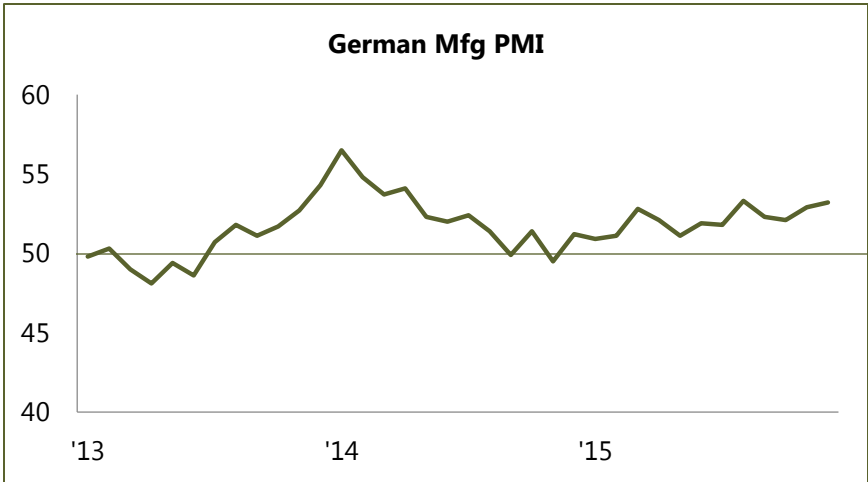
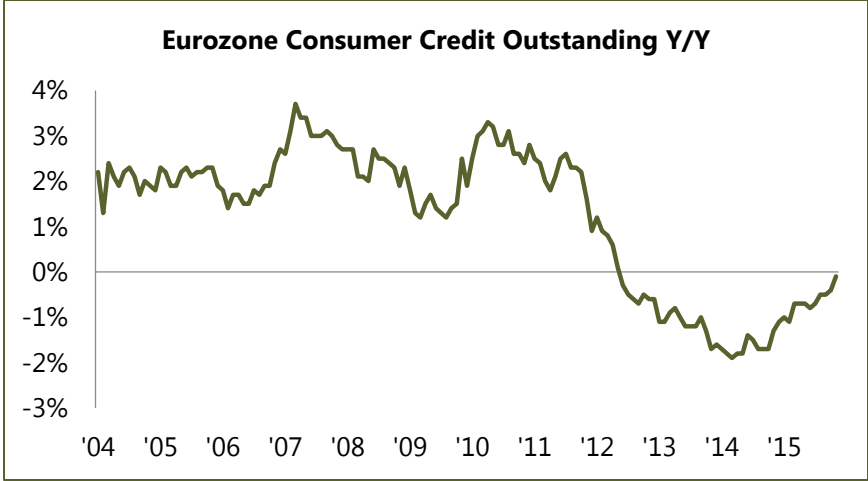
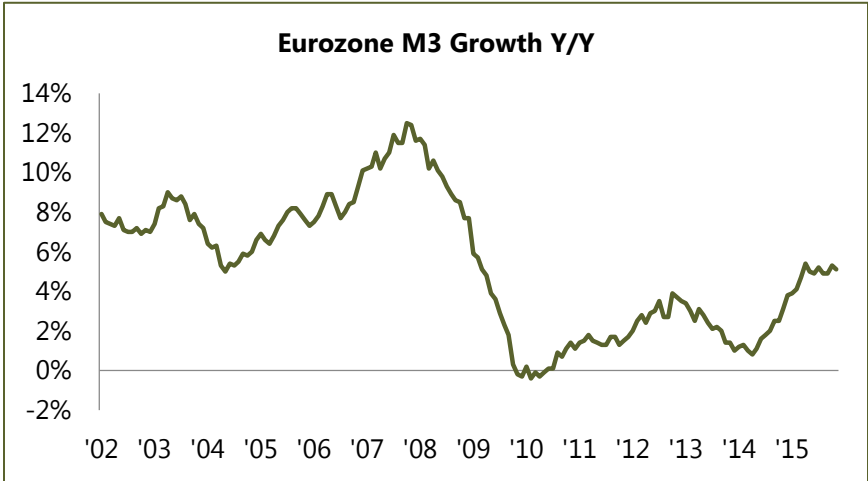
Eurozone

Below trend inflation continues to keep the Eurozone on deflation watch. However, continued Quantitative Easing measures should stimulate inflation expectations and GDP growth.



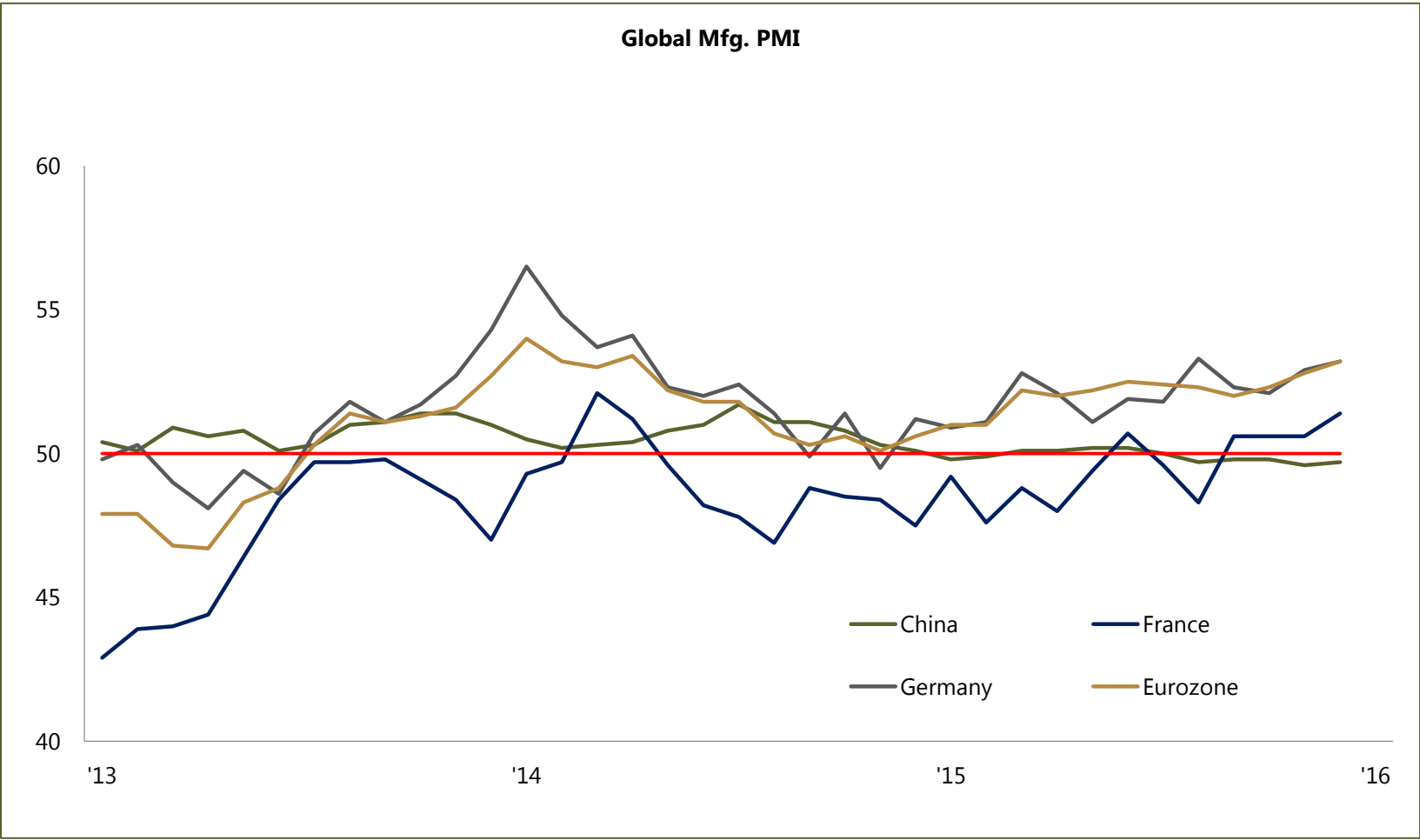
Eurozone

Both German PMI's continue to trend above 50, signaling expansions in both the manufacturing and services sectors. Consumer credit continues to climb while Eurozone M3 growth has flattened.



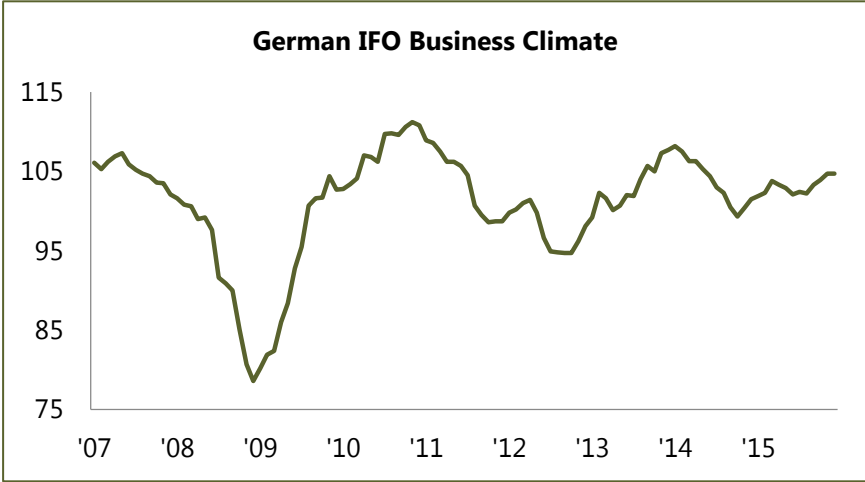
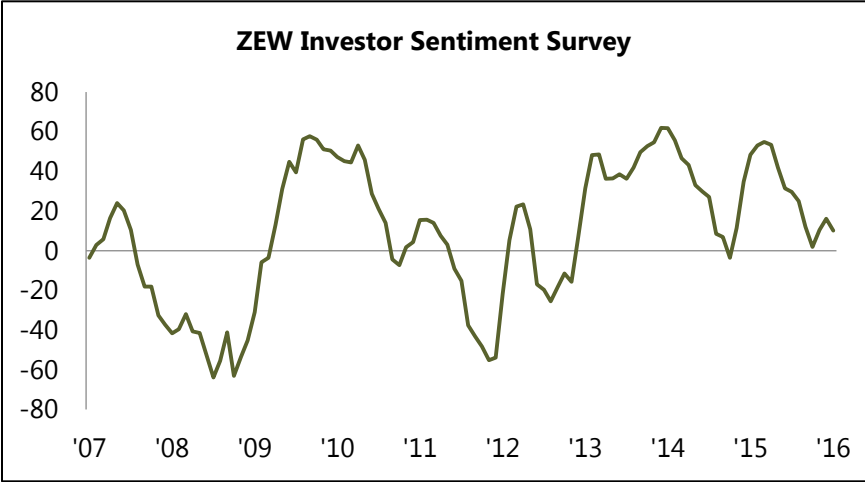
Global Mfg. PMI

Slowing global growth remains a headwind for export driven economies. Recent data indicates a slowdown in Chinese manufacturing as the country focuses on increasing GDP through consumption.



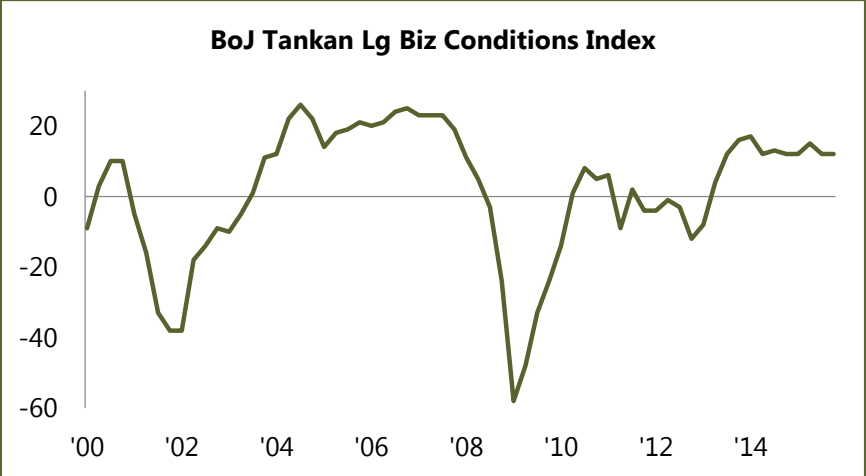
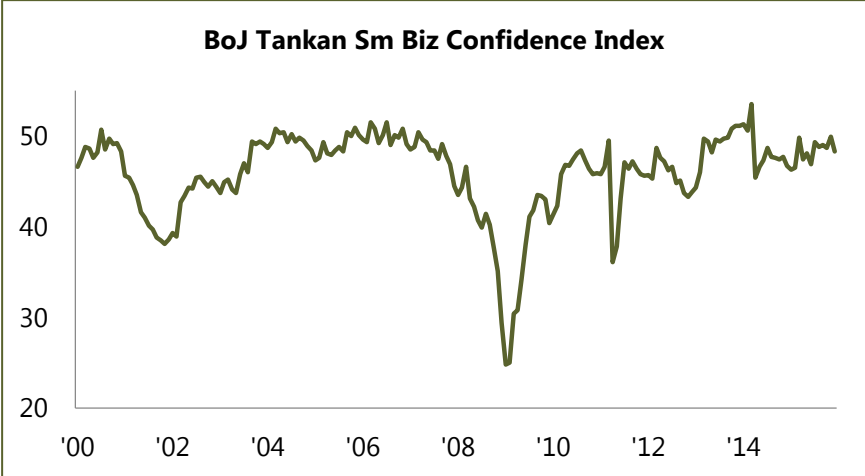
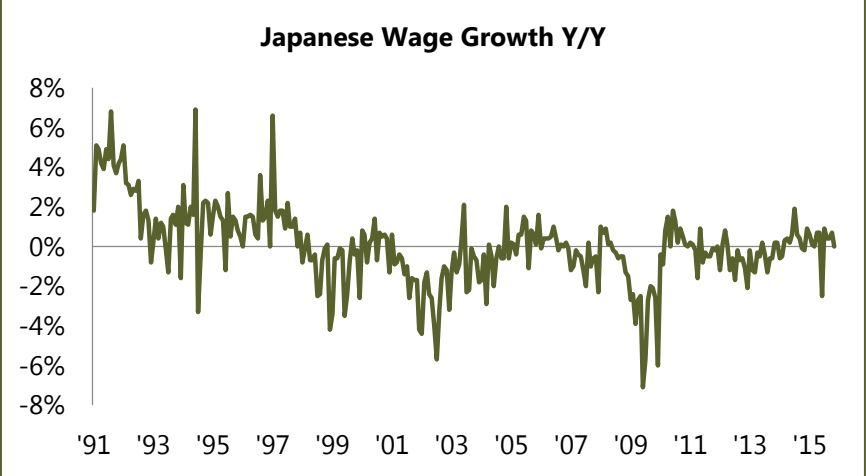
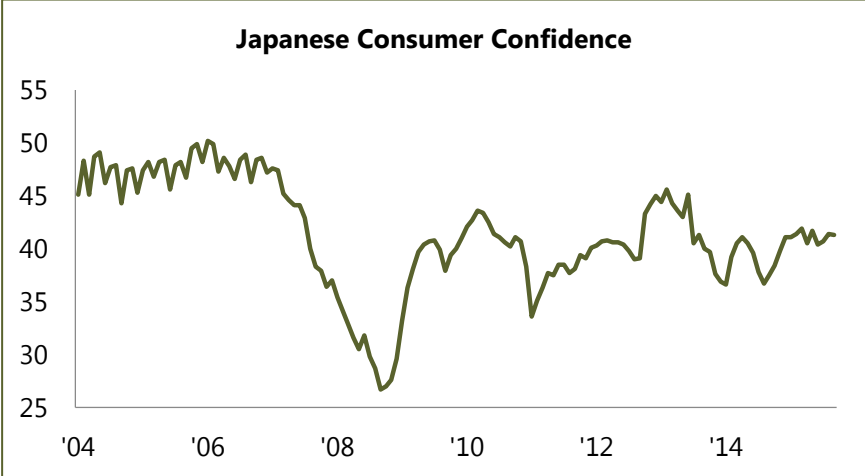
Germany

As the Euro continues to depreciate, German Exports should begin to benefit. Stronger economic conditions in Germany remain overshadowed by fears of a Chinese slowdown.



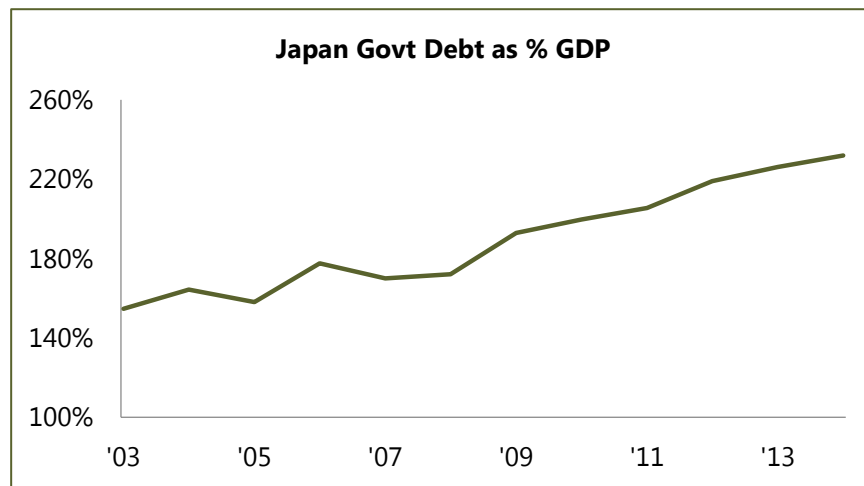
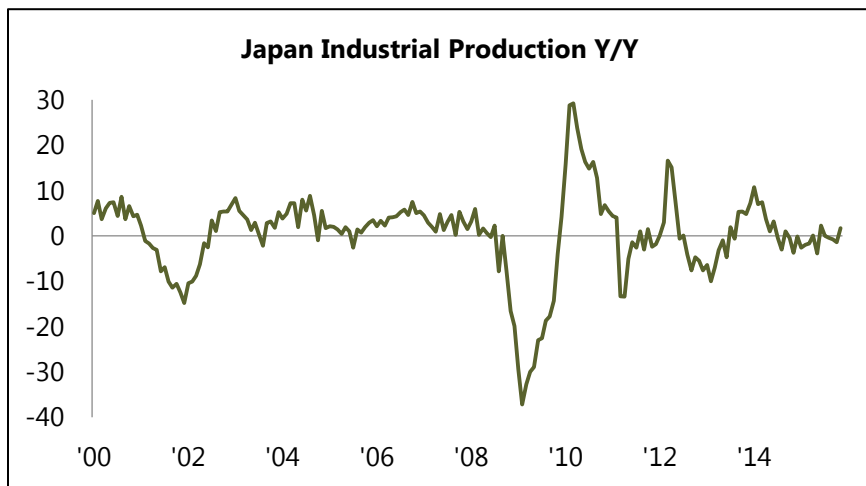
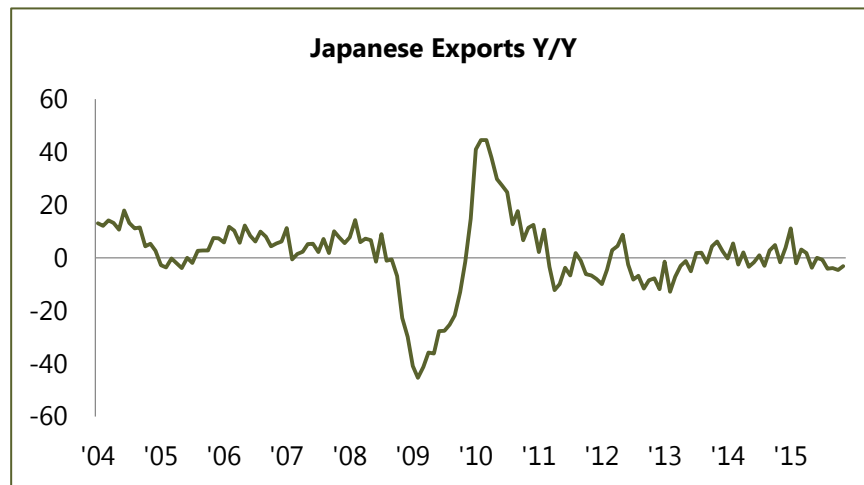
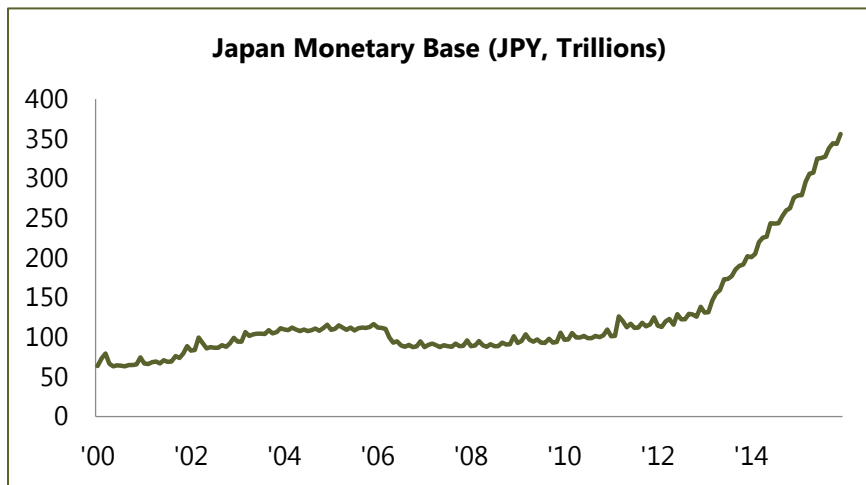
Tracking Abenomics

With wages falling, consumer confidence flattening, Small Business Confidence and Large Business Conditions shrinking, more stimulus from the Bank of Japan may be needed. Wage growth continues to miss the target of +2% YoY growth.



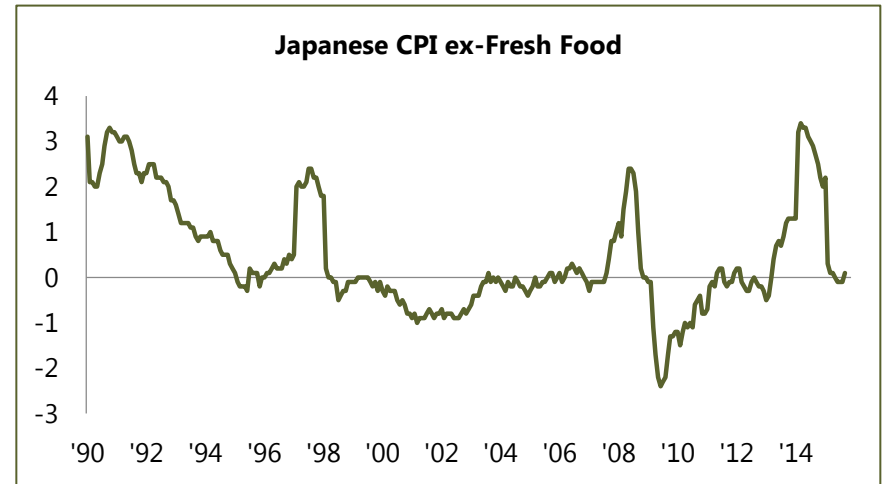
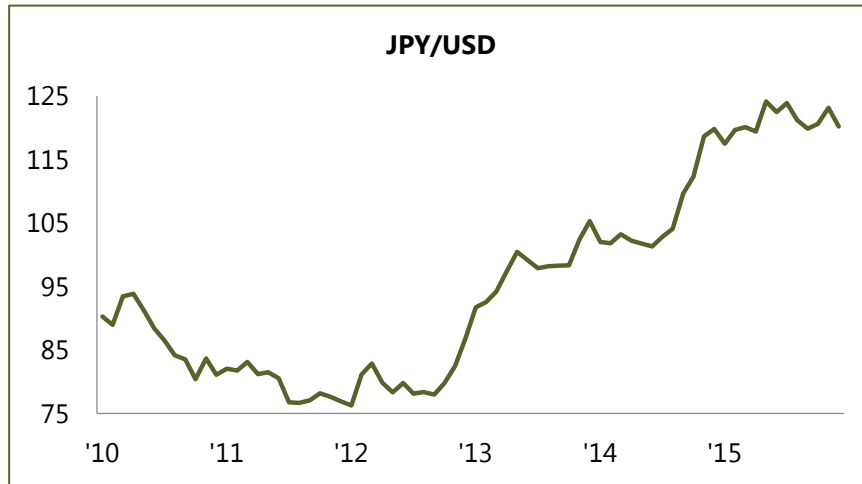
Japan

The Bank of Japan's quantitative easing program continues to influence growth in Japan's Monetary Base; however, softness in industrial production and exports have called for renewed stimulus measures.



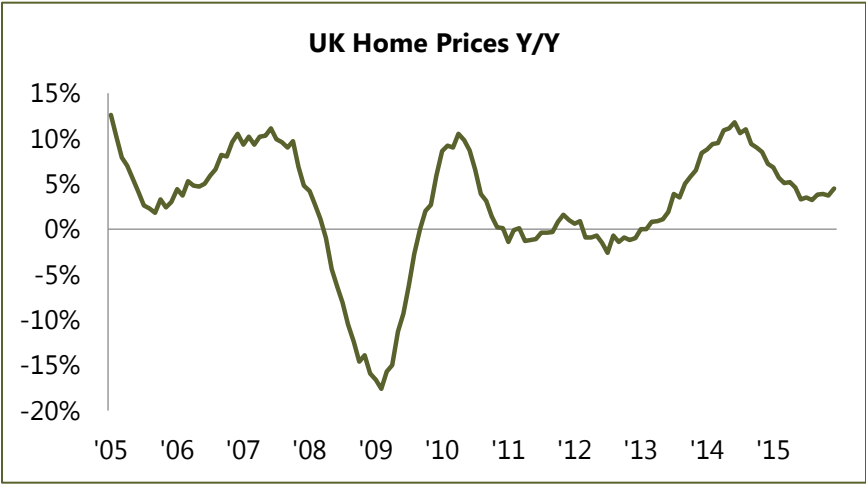
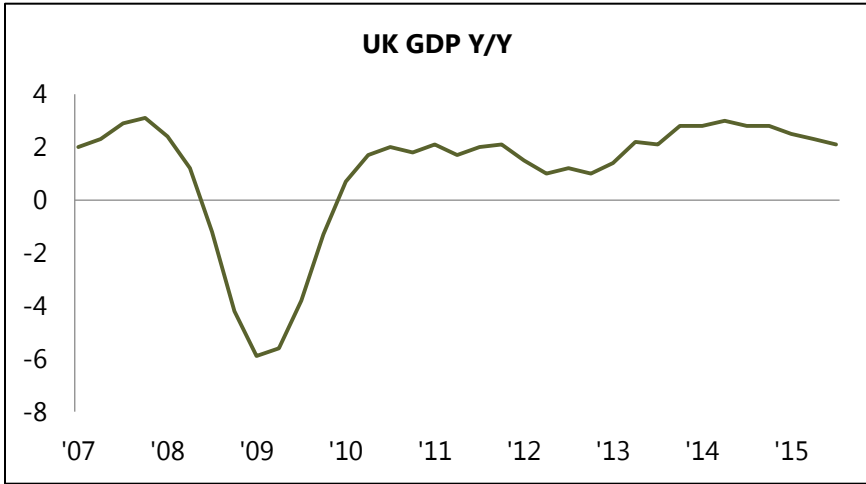
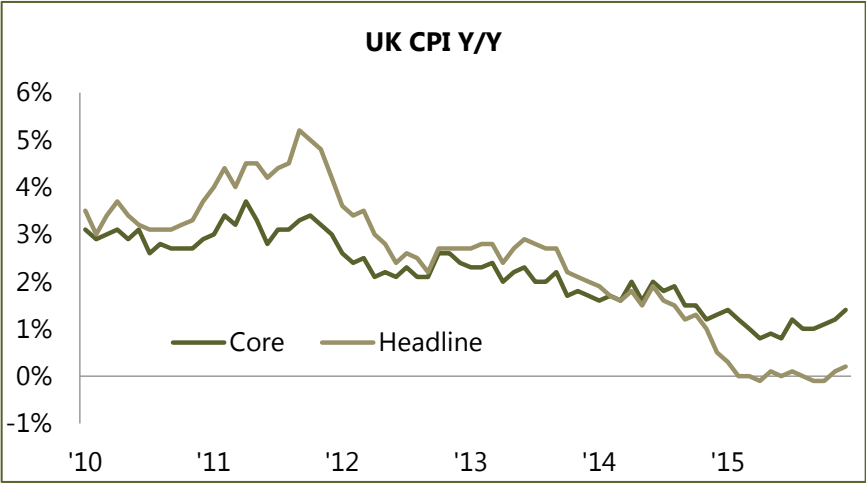
Yen Continues to Weaken

The Yen strengthened relative to the U.S. Dollar, while CPI had a small bid during the quarter. However, with deteriorating economic conditions in Japan continuing, more stimulus may be needed.



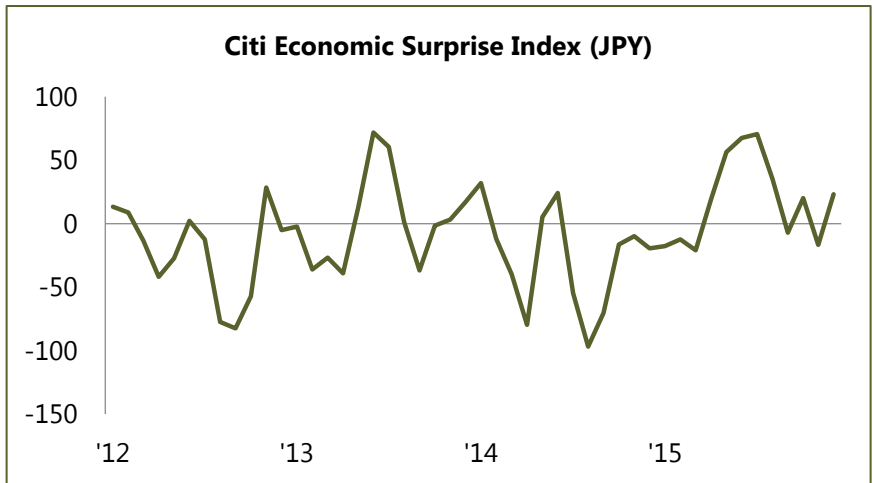
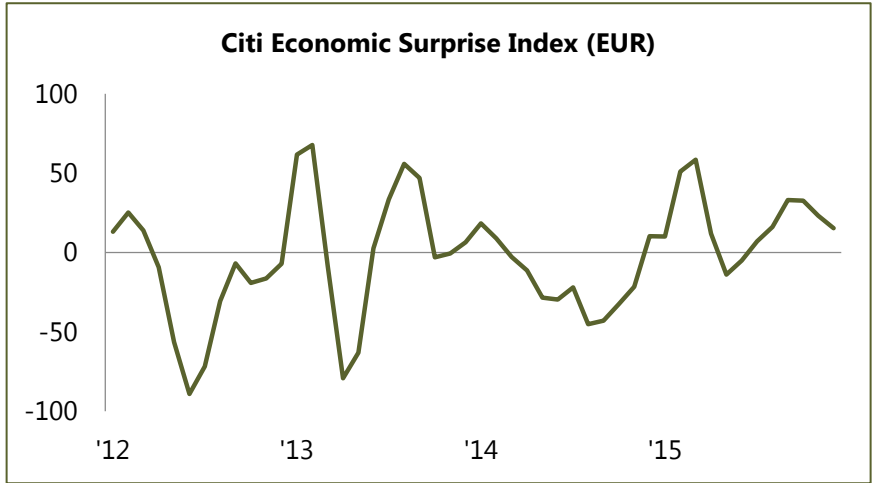
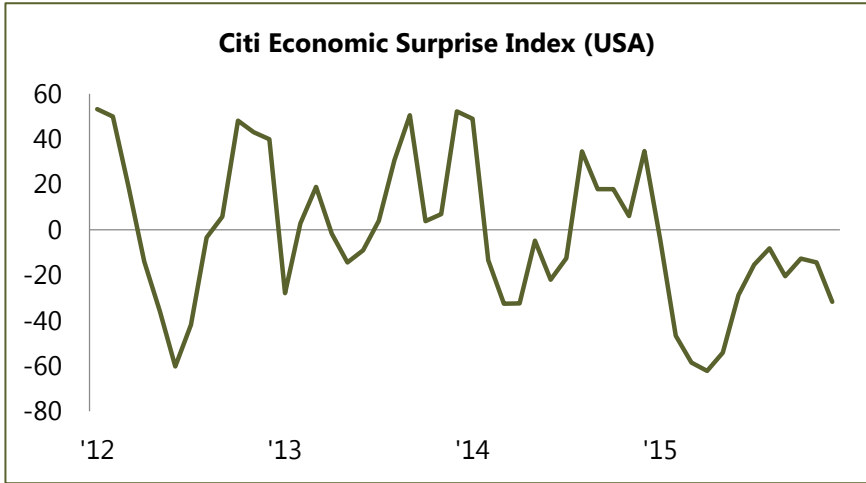
United Kingdom

U.K. CPI got a bid this quarter, while the Unemployment Rate decreased to 5.1%. Home prices and GDP are trending upwards.



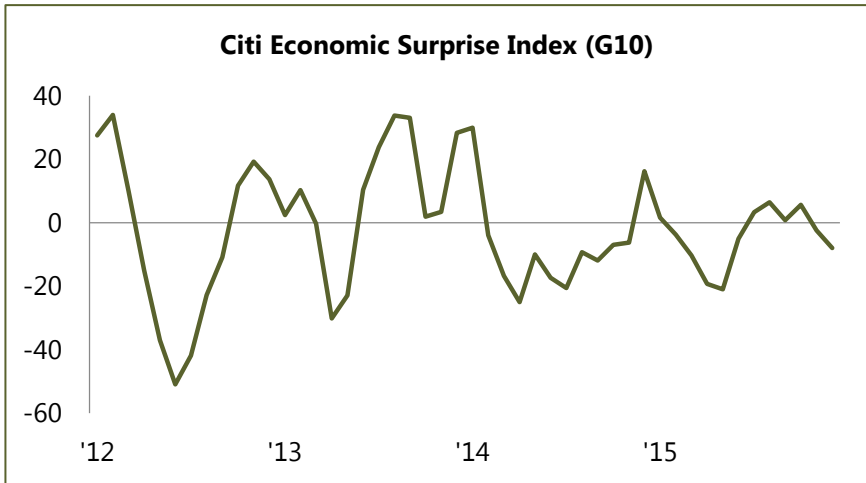
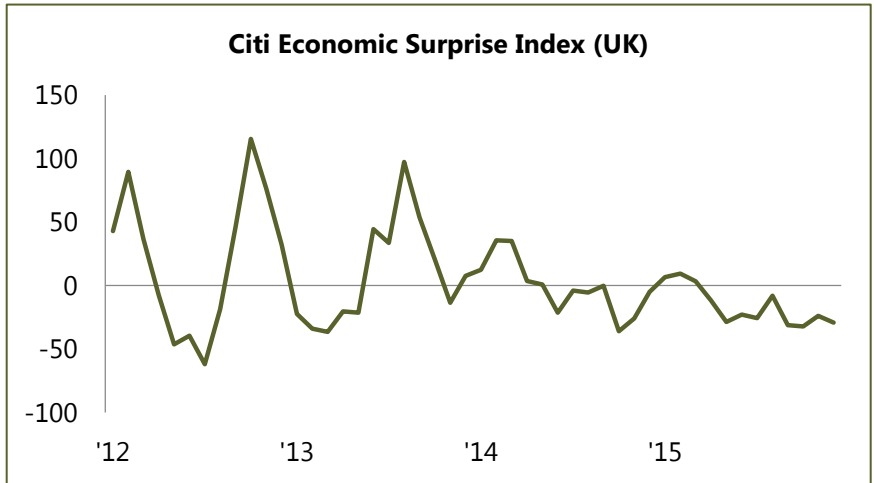
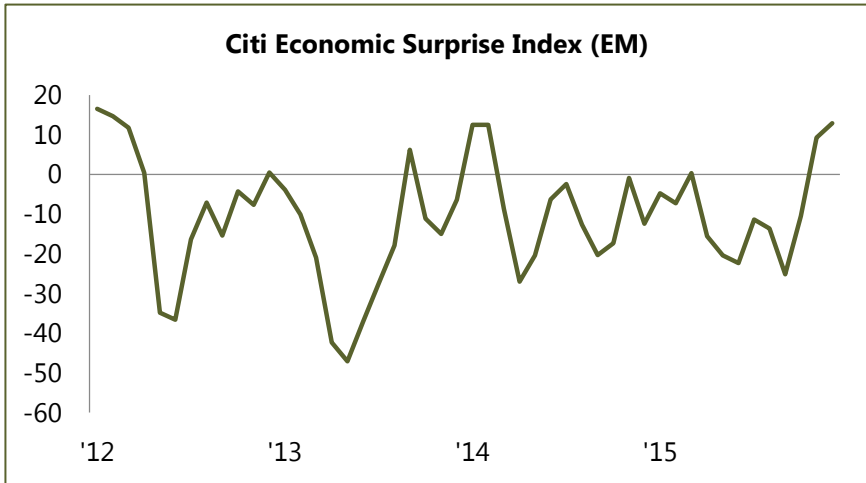
Economic Surprise Indices

Broad economic data in the U.S. and Europe widely missed expectations in Q3, while data out of China and Japan beat market expectations.



Economic Surprise Indices

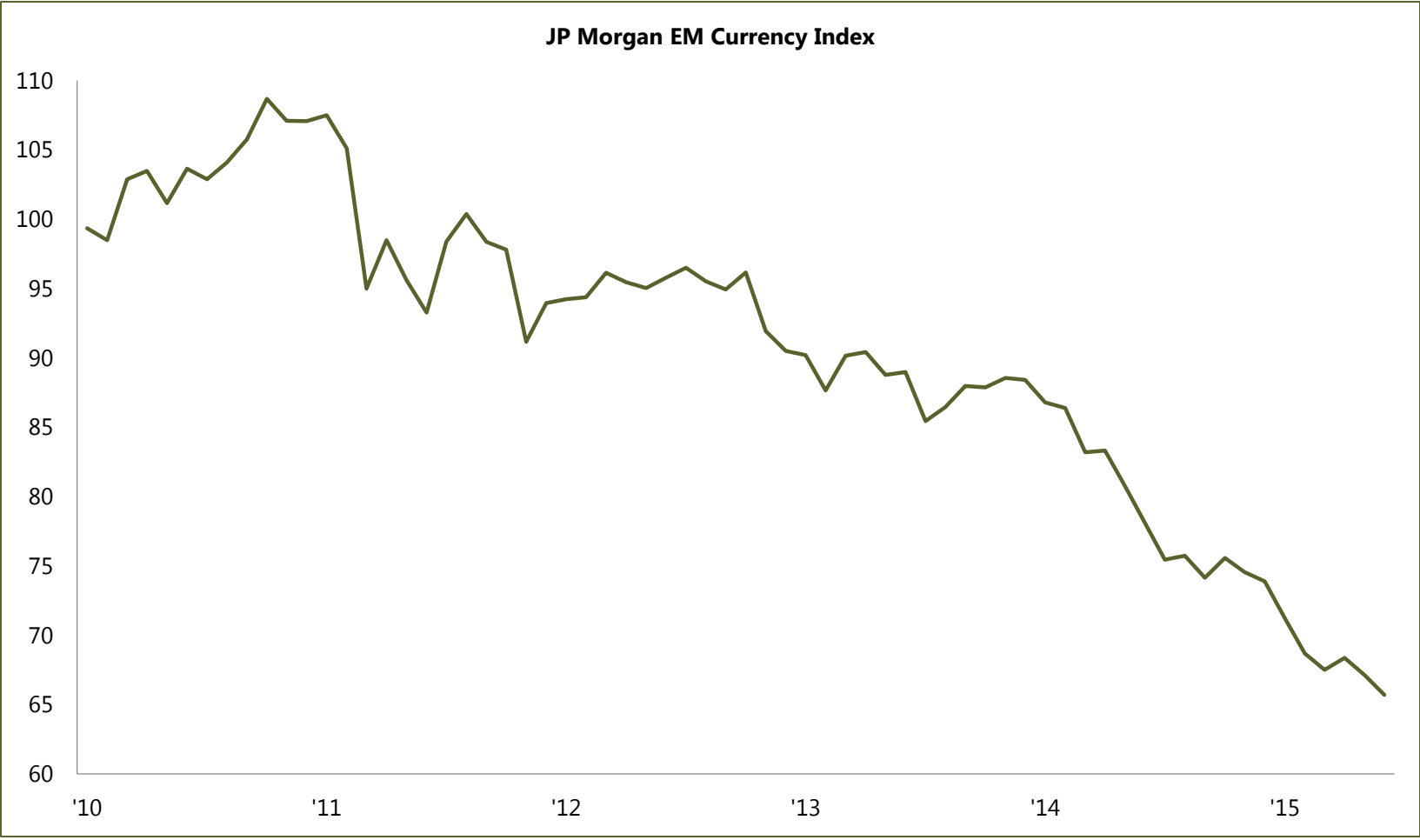
Emerging market data surprised to the upside in Q3, despite global growth concerns, commodity price weakness, and a stronger U.S. Dollar.



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

Emerging Markets Currencies Still a Headwind

While Emerging Markets continue to suffer from depressed commodity prices and slowing growth, the weakness in Emerging Markets currencies continue to drag the asset class lower.



China

China avoided a hard landing in Q4, with GDP growing at +6.9% Y/Y, in line with market expectations. However, risks of a global slowdown remain, and China remains front and center and a driver of global growth.



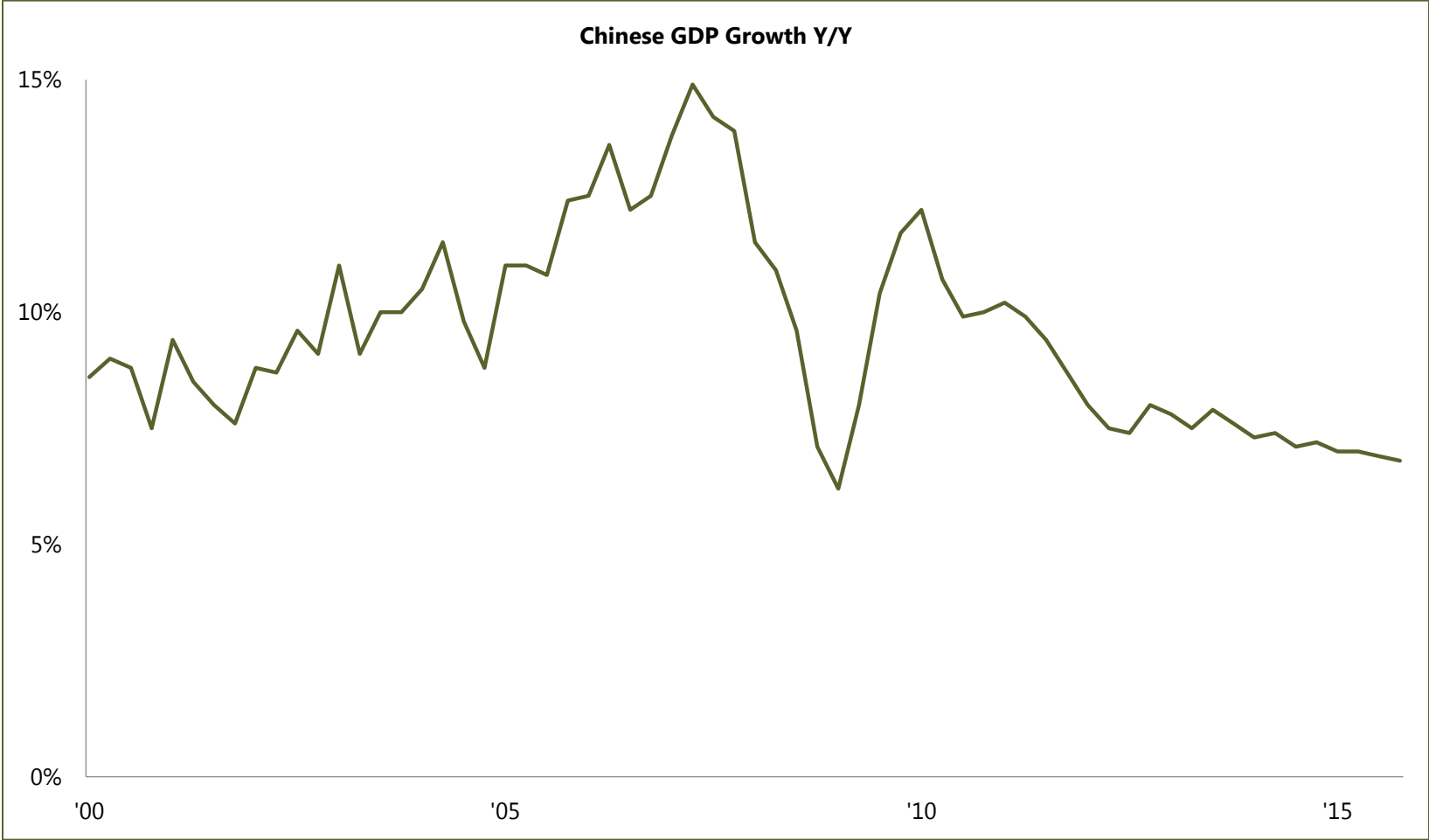
Shanghai Composite Bubble Bursting

The Shanghai Composite rose in the fourth quarter, but remains volatile and somewhat overvalued. As the Chinese government continues to implement financial market reform, volatility is likely to continue in 2016.



China

The Chinese economy grew +6.9% YoY in the fourth quarter, in line with market expectations. Continued uncertainty surrounding the transition from an industrial to a consumption driven economy has investors worried about a hard landing.



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All data sources: St. Louis FRED database, Bloomberg, Nottingham Advisors, unless otherwise noted.