

Open-End Net Fund Flows (\$)	7/16	6/16	YTD (Jul)
Equity	-37.26B	-18.93B	-103.87B
Taxable Bond	18.43B	2.31B	42.68B
Municipal Bond	6.03B	6.35B	39.62B
Hybrid	-1.93B	-4.29B	-16.30B
Taxable Money Market	20.68B	-2.82B	22.12B

Key Interest Rates	8/31/16	12/31/15	8/31/15
Federal Funds Rate (Upper)	0.50%	0.50%	0.25%
LIBOR (3-Month)	0.84%	0.61%	0.33%
2-Year T-Note	0.81%	1.05%	0.74%
10-Year T-Note	1.58%	2.27%	2.22%
Bond Buyer 40	3.74%	4.21%	4.42%

Commodities/U.S. Dollar	8/16	YTD (Aug)	12 Mo.
U.S. Dollar Index (DXY)	0.51%	-2.65%	0.21%
TR/CC CRB Commodity Index	-0.44%	2.31%	-10.83%
Crude Oil (Barrel)	7.45%	20.68%	-9.15%
Natural Gas (per million BTUs)	0.35%	23.50%	7.43%
Gold Bullion (Ounce)	-3.05%	23.36%	15.54%

Total Return Performance

U.S. Stock Indices	8/16	YTD	12 Mo.
S&P 500	0.14%	7.82%	12.54%
DJIA	0.26%	7.65%	14.37%
NASDAQ 100	1.08%	4.85%	13.07%
S&P 400	0.50%	13.12%	12.32%
Russell 2000	1.77%	10.22%	8.58%
Russell 3000	0.26%	8.01%	11.43%

U.S. Styles/Market Caps	8/16	YTD	12 Mo.
S&P 500 Growth	-0.29%	5.96%	11.76%
S&P 500 Value	0.59%	9.77%	13.16%
S&P MidCap 400 Growth	0.62%	11.10%	11.24%
S&P MidCap 400 Value	0.39%	15.22%	13.30%
Russell 2000 Growth	1.06%	5.94%	3.54%
Russell 2000 Value	2.48%	14.58%	13.79%

Foreign Stock Indices (USD)	8/16	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	0.09%	1.88%	0.53%
MSCI Emerging Markets NET	2.49%	14.55%	11.83%
MSCI Europe NET	0.30%	-0.86%	-3.14%
MSCI BRIC NET	4.72%	14.66%	12.38%
MSCI EM Latin America NET	0.69%	33.30%	19.75%
Nikkei 225	1.07%	4.72%	6.96%

Barclays Bond Indices	8/16	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.47%	3.21%	3.11%
GNMA 30 Year	0.16%	3.06%	3.82%
Municipal Bond (22+)	0.31%	7.06%	10.46%
U.S. Aggregate	-0.11%	5.86%	5.97%
Intermediate Corporate	0.06%	5.90%	6.25%
U.S. Corporate High Yield	2.09%	14.35%	9.07%
Global Aggregate	-0.49%	9.25%	8.79%
EM Hard Currency Aggregate	1.35%	12.34%	11.51%

Sources: Bloomberg, Barclays, Investment Company Institute

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Climate

Job creation remained front and center in August. Would another strong jobs number be enough to persuade the “data-driven” Federal Reserve (the “Fed”) to hike its benchmark lending rate in September? It hasn’t hiked rates since 12/16/15, when it raised the federal funds target rate (upper bound) from 0.25% to 0.50%. That represented the first rate hike since June 2006. U.S. nonfarm payrolls increased by 151,000 in August, according to data from the Bureau of Labor Statistics. That was below Bloomberg’s consensus estimate (economist survey) of 180,000. The 151,000 new jobs was also well below the 271,000 and 275,000 jobs created in June and July, respectively. In light of the softer number in August, we believe that the odds of the Fed raising rates in September have dropped. If the Fed opts to pass in September, the next target could be December, in our opinion. The recovery in the commercial bank industry is real. The Federal Deposit Insurance Corporation (FDIC) announced that U.S. commercial banks and savings institutions reported aggregate net income of \$43.6 billion in Q2’16, the highest in at least six years, according to its own release. Of the 6,058 insured institutions that reported Q2’16 earnings, 60.1% posted year-over-year growth. The number of institutions on the FDIC’s list of “problem banks” stood at 147 in Q2’16, down from 165 in Q1’16. The post-crisis high for the list was 888 in Q1’11.

Stock Market

The S&P 500 Index closed at 2,170.95 on 8/31/16, which was 0.88% below its all-time high of 2,190.15 set on 8/15/16, according to Bloomberg. In August, the top two performing major sectors that comprise the S&P 500 Index were Financials and Information Technology, up 3.83% and 2.12%, respectively, on a total return basis. The two worst performers were Telecommunication Services and Utilities, down 5.67% and 5.62%, respectively. Y-T-D through August, the top two performing sectors were Telecommunication Services and Utilities, up 18.96% and 15.67%, respectively, while the two worst performers were Health Care and Consumer Discretionary, up 1.88% and 3.96%, respectively. Stocks have continued to rally off the 2/11/16 multi-year low in the price of crude oil. From 2/11/16 through 8/31/16, the S&P 500 Index posted a total return of 20.16%, well above its 7.82% total return through the first eight months of 2016. The price of crude oil rose from \$26.21 per barrel on 2/11/16 to \$44.70 per barrel on 8/31/16, or a gain of 70.55%, according to Bloomberg. The rebound in the price of crude oil is boosting M&A activity in the energy sector, according to Bloomberg. Wood Mackenzie, a consulting firm, reported that more than \$11 billion worth of oil and gas transactions were announced globally in July. It was the highest monthly total so far this year.

Bond Market

In August, the yield on the benchmark 10-year Treasury note rose 13 basis points to 1.58%, which was 64 basis points below its 2.22% yield on 8/31/15 and 67 basis points below its three-year average of 2.25%, according to Bloomberg. While government bond yields are negative in some parts of the globe, demand for investment-grade corporate bonds has been robust in the U.S. Year-to-date through August, companies issued more than \$962 billion of debt, and issuance is expected to remain strong in September, according to Bloomberg. Sales in August totaled more than \$115 billion, the most for the month of August in at least 12 years. Bank of America reported that it expects the pipeline for bond deals to total \$120 billion in September. The lack of any serious inflationary pressure remains a big plus for bond investors, in our opinion.

Takeaway

The Conference Board’s Consumer Confidence Index stood at a reading of 101.10 in August 2016, the highest it has been in 11 months, according to Bloomberg. For the 20-year period ended August 2016, the index reached a high of 144.71 on 1/31/00 (about two months prior to the popping of the Internet/Technology bubble), while hitting a low of 25.30 on 2/28/09 (nine days prior to the end of the financial crisis-induced bear market in stocks). It averaged 93.09 over the 20-year period. Confidence may currently be above the average over the past 20 years, but the level is nowhere near “irrational exuberance” territory, as it reached back in January 2000, in our opinion.

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	2190.15	8/15/2016	676.53	3/9/2009	2170.95	-0.88%	7.82%	2.13%
S&P 500 Growth	1235.45	8/15/2016	363.99	3/9/2009	1219.16	-1.32%	5.96%	1.64%
S&P 500 Value	949.85	8/18/2016	307.16	3/9/2009	943.84	-0.63%	9.77%	2.62%
S&P MidCap 400	1571.26	8/23/2016	404.62	3/9/2009	1564.76	-0.41%	13.12%	1.84%
S&P MidCap 400 Growth	722.35	8/30/2016	174.44	11/20/2008	719.81	-0.35%	11.10%	1.34%
S&P MidCap 400 Value	535.89	8/23/2016	144.98	3/9/2009	532.51	-0.63%	15.22%	2.29%
S&P 100	968.82	8/15/2016	322.13	3/9/2009	960.08	-0.90%	7.09%	2.24%
DJIA	18636.05	8/15/2016	6547.05	3/9/2009	18400.88	-1.26%	7.65%	2.54%
NASDAQ 100	4827.12	8/15/2016	1036.51	11/20/2008	4771.06	-1.16%	4.85%	1.23%
Russell 2000	1295.80	6/23/2015	343.26	3/9/2009	1239.91	-4.31%	10.22%	1.55%
Russell 2000 Growth	808.08	6/23/2015	190.73	3/9/2009	745.45	-7.75%	5.94%	0.89%
Russell 2000 Value	1572.13	6/23/2015	469.32	3/9/2009	1559.79	-0.78%	14.58%	2.21%
Russell 3000	1294.99	8/15/2016	389.61	3/9/2009	1284.48	-0.81%	8.01%	2.03%
MSCI World Net (ex U.S.) (USD)	5496.51	7/3/2014	2131.84	3/9/2009	4874.20	-11.32%	1.88%	3.34%
MSCI Emerging Markets Net (USD)	473.36	10/29/2007	164.51	10/27/2008	391.31	-17.33%	14.55%	2.62%
Ibovespa/Brazil (USD)	44638.24	5/19/2008	9077.09	1/21/2016	17872.37	-59.96%	60.96%	2.94%
RTS/Russia (USD)	2487.92	5/19/2008	498.20	1/23/2009	950.25	-61.81%	30.14%	4.49%
S&P BSE 500/India (USD)	226.04	1/7/2008	57.52	3/9/2009	176.77	-21.80%	11.32%	1.31%
Shanghai Composite/China (USD)	832.07	6/12/2015	205.79	9/1/2006	461.76	-44.50%	-13.69%	1.94%
KOSPI/South Korea (USD)	2.29	10/31/2007	0.63	11/20/2008	1.82	-20.30%	9.54%	1.59%
Hang Seng (USD)	4082.25	10/30/2007	1420.72	10/27/2008	2962.16	-27.44%	8.03%	3.55%
MSCI Euro (USD)	1985.51	10/31/2007	682.47	3/9/2009	1129.65	-43.11%	-0.26%	3.66%
S&P 500 Consumer Discretionary	651.70	8/15/2016	125.72	3/9/2009	638.63	-2.01%	3.96%	1.64%
S&P 500 Consumer Staples	571.69	7/14/2016	199.80	3/9/2009	556.26	-2.70%	9.15%	2.54%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	505.45	-31.43%	15.17%	3.01%
S&P 500 Utilities	269.14	7/6/2016	113.81	3/9/2009	248.49	-7.67%	15.67%	3.48%
S&P 500 Financials	509.55	2/20/2007	81.74	3/6/2009	330.28	-35.18%	4.24%	2.26%
S&P 500 Banks	414.38	2/20/2007	49.02	3/5/2009	228.12	-44.95%	-0.90%	2.20%
FTSE NAREIT All Equity REITs	725.61	8/1/2016	163.57	3/6/2009	696.21	-4.05%	14.17%	4.03%
S&P 500 Health Care	892.26	7/20/2015	252.84	3/5/2009	839.28	-5.94%	1.88%	1.64%
S&P 500 Pharmaceuticals	647.69	8/1/2016	214.50	3/3/2009	609.59	-5.88%	2.98%	2.44%
NYSE Arca Biotechnology	4431.87	7/17/2015	541.77	3/9/2009	3241.92	-26.85%	-14.85%	0.25%
S&P 500 Information Technology	785.92	8/29/2016	198.51	11/20/2008	782.90	-0.38%	9.83%	1.57%
Philadelphia Semiconductor	803.62	8/29/2016	171.32	11/20/2008	801.48	-0.27%	22.61%	1.71%
S&P 500 Telecom Services	183.85	7/1/2016	88.10	3/9/2009	172.21	-6.33%	18.96%	4.53%
S&P 500 Industrials	511.27	7/20/2016	132.83	3/9/2009	506.25	-0.98%	10.99%	2.24%
S&P 500 Materials	326.60	2/24/2015	108.33	3/2/2009	304.38	-6.80%	12.86%	2.13%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	90.17	-60.62%	99.70%	0.43%
TR/CC CRB Commodity	473.52	7/2/2008	155.01	2/11/2016	180.21	-61.94%	2.31%	N/A
BofA ML Perpetual Preferred	242.18	8/30/2016	51.79	3/9/2009	241.96	-0.09%	7.39%	5.13%
BofA ML U.S. High Yield Constrained	379.20	8/30/2016	130.37	12/12/2008	378.96	-0.06%	14.58%	6.76%

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