



May 2016

Market Update

(all values as of
04.29.2016)

Stock Indices:

Dow Jones	17,773
S&P 500	2,065
Nasdaq	4,775

Bond Sector Yields:

2 Yr Treasury	0.77%
10 Yr Treasury	1.83%
10 Yr Municipal	1.65%
High Yield	7.61%

YTD Market Returns:

Dow Jones	2.00%
S&P 500	1.05%
Nasdaq	-4.63%
MSCI-EAFE	-1.35%
MSCI-Europe	-1.38%
MSCI-Pacific	-1.13%
MSCI-Emg Mkt	5.80%

US Agg Bond	3.42%
US Corp Bond	5.40%
US Gov't Bond	3.96%

Commodity Prices:

Gold	1,294
Silver	17.91
Oil (WTI)	45.95

Currencies:

Dollar / Euro	1.13
Dollar / Pound	1.45
Yen / Dollar	109.21
Dollar / Canadian	0.79

Macro Overview - May 2016

The prospect of a delayed tightening by the Fed, a weaker dollar, and a rebound in commodities helped stabilize equities in April. A falling U.S. dollar along with central banks in Europe and Asia trying to stem the rise of the euro and yen, is indicative of a currency war looming in the shadows. A weaker dollar makes U.S. products cheaper and the U.S. more competitive internationally, a concern to both European and Asian exporters.

Commodity related currencies from countries as Australia, Russia, Canada, and Brazil saw rebounds against the dollar in April, elevating assurances that a demand for commodities is still intact. Economists view this as a measure of a global economic revival.

Following years of debate and assistance, the IMF is considering letting its support for Greece go and cease participating in any further Greek bailouts. Such a possible move would force countries with dire fiscal constraints to reassess their financial policies.

The Labor Department reported that jobless claims for unemployment benefits fell to their lowest level since 1973, historically representative of a strong labor market. Employment data also revealed that there is a growing number of part-time workers rather than full-time workers encompassing the labor force. Various research reports have suggested that the implementation of the Affordable Care Act, whose major provisions were phased in by January 2014, encouraged employers to shift workers to more part-time positions in order to avoid having to cover them under the newly mandated health insurance requirements.

Records maintained and released by the IRS have identified a sharp rise in 1099 income filings as of 2014. 1099s are issued for any income generated over \$600 during the tax year. Many economists believe that such dynamics is a validation of full-time employee positions being replaced by part-time independent contractors.



A strengthening Japanese yen over the past few weeks has led some analysts to believe that risk aversion may be a cause. A stronger yen and a weaker dollar has historically signaled less confidence in U.S. growth and a heightened attentiveness to global dynamics.

Sources: Labor Dept., IMF, IRS

Equity Update

Major domestic stock indices were essentially flat for the month of April after U.S. equities reached record levels not hit since July 2015, sending the Dow Jones Industrial Average to the 18,000 level. Defensive stocks pulled back in April, a signal that buyers are less averse and leaning towards more aggressive growth company stocks. Other optimistic sector trends evolved in April as small caps, cyclicals, and multi-nationals outperformed more conservative large cap and defensive equities. Some investors celebrated the seventh year of the bull market that began in March 2009. Even with the volatility and pullbacks over the 7-year period, it is still considered the second longest bull market in the market's history.

Sources: Dow Jones, S&P, Bloomberg

State Income Tax Rates – Tax Planning

Individual state income taxes are a major source of revenue for states, accounting for nearly 35% of state tax collections nationwide. Forty-three states currently impose a state income tax, in addition to a Federal income tax, with only seven states imposing no state tax at all.

As state and municipal finances have experienced unforeseen fiscal duress, many states have levied and plan to levy higher tax rates on their residents. The non-partisan, non-profit Tax Foundation founded in 1937 provides unbiased research and data on taxes imposed throughout the United States.

Individual state income tax rates not only affect individuals but also affect companies. As companies grow and hire staff for new locations, state tax rates can deter some companies from hiring in higher rate states. Some companies can pay less since an employee’s take-home pay might be higher should there be no state income tax.

Retirees also consider state tax rates when planning for retirement and reducing expenses. It’s no surprise that the seven states that have no state income tax are also popular living destinations for retirees.

Source: Tax Foundation



Fixed Income Update – Global Bond Markets

The ECB disclosed additional details in April about its bond buying program, stating that it will purchase government and corporate debt with maturities of 6 months to 30 years. Effectively, this strategy will provide cheap loans to global corporations operating in Europe, leading to a possible surge in debt issuance as companies take advantage of the ECB’s plan.

So far this year, corporate bonds have outperformed most government bond sectors, including Treasuries and mortgage-backed debt. High-yield corporate debt has seen the most appreciation of all corporate debt. Historically, high-yield bonds tend to correlate with equity markets due to factors as improving earnings and credit ratings.

Some analysts believe that the Fed’s stance on keeping rates stable for now and the ECB’s stimulus program in Europe of buying corporate debt has prompted domestic bond values to rise.

Sources: ECB, Bloomberg, Federal Reserve



THE YEN HAS APPRECIATED OVER 10 PERCENT VERSUS THE U.S. DOLLAR SO FAR THIS YEAR

Japanese Yen Surges – Currency Update

The yen has risen over 10 percent against the dollar so far this year, with any additional gains intensifying speculation that the Bank of Japan would intervene sooner rather than later, as Japanese politicians have raised concerns about the yen's run-up. Japan's rising currency is making Japanese exports from cars to pens more expensive worldwide, stifling any stimulus efforts that had originally been enacted.

Japanese Prime Minister Shinzo Abe is scheduled to visit Italy and Germany in May where it is believed he will try to set the stage for a possible intervention in currency markets as Japan prepares to host a G7 meeting later in the month.



Some currency analysts expect a possible resurgence in a currency war should the yen and other major currencies continue to rally versus the U.S. dollar.

Competitive devaluation of a nation's currency, also known as a currency war, is a condition in international affairs where countries compete against each other to achieve a

relatively low exchange rate for their own currency.

The benefits of a devaluing currency for a nation's economy include an increase in exports, which may result in additional manufacturing and employment. A significant hindrance of a devaluing currency would be imports becoming more expensive, thus indirectly causing inflationary pressures within an economy.

Source: Federal Reserve Bank of New York

Rich Are Healthier

Researchers at the Urban Institute and Virginia Commonwealth University released a report in April examining the links between health, wealth, and income.

For years poverty has often been associated with poor health, while the wealthiest have been thought of having fewer illnesses.

To confirm these perceptions, the report analyzed various health problems for which the Centers for Disease Control (CDC) has recorded prevalence by family income. In every case, the wealthy are better off.

How health and money are related is complex. For both rich and poor, the two attributes likely reinforce one another. "Health and income affect each other in both directions: not only does higher income facilitate better health, but poor health and disabilities can make it harder for someone to succeed in school or to secure and retain a high-paying job," the Urban authors write.

Living in poverty often means less access to nutritious food or neighborhoods safe for outdoor exercise. Low-income people are more likely to smoke or be obese. White-collar jobs are less physically demanding, and people who have them can afford to take a day off for a doctor's visit or to get a gym membership. They're also probably not working the night shift, which is linked to cancer and other health problems.

Sources: Centers for Disease Control, Urban Institute & Virginia Commonwealth University



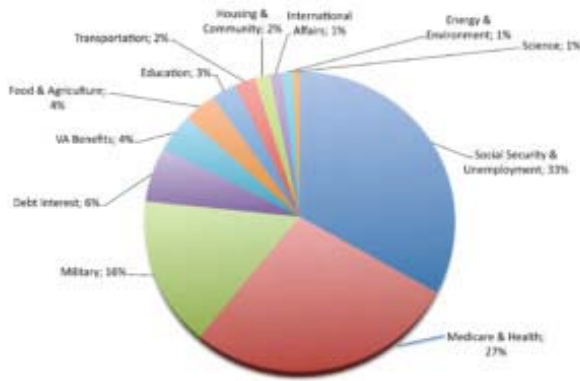
THE FEDERAL GOVERNEMENT TOOK IN OVER \$3.2 TRILLION IN 2015 TAX PAYMENTS

Where Our Tax Dollars Go To – Fiscal Overview

For fiscal 2015, the federal government took in over \$3.2 trillion in tax payments, a record year compared to previous fiscal years. The federal budget for fiscal year 2015 ran from October 1, 2014, to September 30, 2015. The total figure amounts to approximately \$21,833 for every person in the United States.

Taxpayers often wonder, where does all their tax money go. The Office of Management & Budget breaks down where tax payments go each year, allowing Americans to see what they're getting.

Source: Office of Management & Budget



Where The Federal Government Spent Money in 2015

* Market Returns: All data is indicative of total return which includes capital gain/loss and reinvested dividends for noted period. Index data sources; MSCI, DJ-UBSCI, WTI, IDC, S&P. The information provided is believed to be reliable, but its accuracy or completeness is not warranted. This material is not intended as an offer or solicitation for the purchase or sale of any stock, bond, mutual fund, or any other financial instrument. The views and strategies discussed herein may not be appropriate and/or suitable for all investors. This material is meant solely for informational purposes, and is not intended to suffice as any type of accounting, legal, tax, or estate planning advice. Any and all forecasts mentioned are for illustrative purposes only and should not be interpreted as investment recommendations.