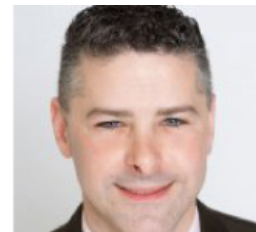




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September 2016

Market Update

(all values as of
08.31.2016)

Stock Indices:

Dow Jones	18,400
S&P 500	2,170
Nasdaq	5,213

Bond Sector Yields:

2 Yr Treasury	0.80%
10 Yr Treasury	1.57%
10 Yr Municipal	1.43%
High Yield	6.01%

YTD Market Returns:

Dow Jones	5.60%
S&P 500	6.21%
Nasdaq	4.11%
MSCI-EAFE	-1.79%
MSCI-Europe	-3.45%
MSCI-Pacific	1.54%
MSCI-Emg Mkt	12.53%

US Agg Bond	5.85%
US Corp Bond	9.49%
US Gov't Bond	6.85%

Commodity Prices:

Gold	1,312
Silver	18.72
Oil (WTI)	44.83

Currencies:

Dollar / Euro	1.11
Dollar / Pound	1.30
Yen / Dollar	102.40
Dollar / Canadian	0.76

Macro Overview

Markets have become data sensitive as varying economic news moved equities and bonds in anticipation of a looming Fed rate hike. Some members of the Federal Reserve are leaning towards a rate increase before the end of the year rather than waiting until next year.

Growth estimates for the economy were revised down again in August with GDP growth revised to a 1.1% annual growth rate. Even though economic data has been mixed, the Fed may consider some of the data strong enough to raise rates sooner. Some Federal Reserve watchers believe that comments made by Fed members in August were meant to shore up rates a bit without the Fed actually raising rates, a tactic used before.

The S&P 500 index will have a new sector added in September with Real Estate Investment Trusts (REITs) comprising the 11th sector of the index. REITs have been part of the financial sector for years and have now earned their own designated category with an expected 3% allocation.

Internationally, worries still abound regarding the uncertainty of the EU's future without Britain. Of concern is the lack of new capital investments by companies as a result of new rules that will take up to two years to formalize. Some see possible correlations between the EU vote in Europe and the U.S. presidential election in November, as polls failed to capture the voting intentions of marginalized and antiestablishment voters during the Brexit vote in Great Britain.

Volatility with oil prices continued producing reactions to headlines surrounding inventories, production, and OPEC policies. Domestic oil drillers and energy companies have been quick to acclimate to lower oil prices by retooling and curtailing production and costs. Decisions to increase production is seen as a validation that debt levels are under control and companies are positioned to expand, as long as oil prices stay around \$50 per barrel.

Back to school sales rank as the second biggest shopping season for retailers, after the winter holiday season. According to the National Retail Federation (NRF), back to school shopping generates over \$27 billion in retail sales every season.



Sources: FDIC, Federal Reserve, S&P, Reuters, Eurostat, NRF

New Sector Joining S&P 500 Index – Equity Markets Update

Domestic stock market indices closed at new highs in August as earnings and economic data helped propel equity prices. Even with recent new highs, volume remains relatively low. Some market analysts believe that the increased regulation of banks and brokerage firms has taken a toll on trading. The use of various derivatives have been discouraged by regulators, which have in the past added activity and volume to equity markets.

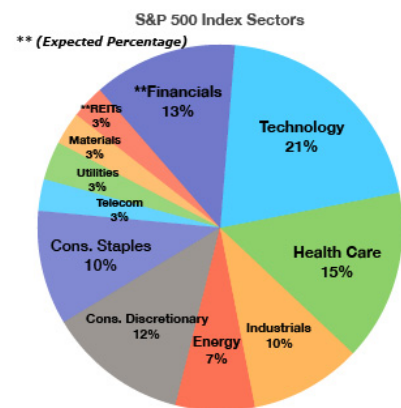
The positive performance of the high-yield bond sector so far this year is indicative of improving credit characteristics for smaller company stocks. Since most smaller companies tend to rely more on debt for cash flow, a continued low rate environment has been beneficial for earnings and growth.

The S&P 500 index is adding a new sector to its mix. REITs will become part of the S&P 500 compilation on September 16th, making it the 11th sector. The growth and capital representation of REITs in the markets will now formally allow REITs to sit along side the other 10 sectors as a standalone class. REITs have been part of the financial sector for years, but now have earned their own designated category.

REITs have become increasingly popular with investors as their management teams have become more professional and the companies have become larger. There are two main types of REITs, equity REITs and mortgage REITs. The newly added sector will only include equity REITs that own physical property such as apartments, office buildings, industrial buildings, malls, hotels, cellular towers, data storage facilities, self-storage facilities, movie theaters, timber and even prisons.

REITs currently constitute about 3% of the S&P 500, so it is estimated that the newly created 11th sector will make up about 3% of the total index.

Sector weightings comprising the S&P 500 vary as the economy shifts and industries evolve. Technology currently encompasses the largest portion of the S&P 500 at 21%, yet made up as much as 35% in 2000 during the height of the technology boom. (Sources: S&P, Bloomberg, Global Industry Classification Standard (GICS))



Continued Low Rates – Global Fixed Income Update

Short-term U.S. bonds have been rising slowly as long-term bond yields have been dropping, leading to a “flattening of the yield curve.” Such a dynamic helps bond analysts and economists to determine if there’s an economic slowdown or even inflation on the horizon.

The Bank of England launched its biggest stimulus package since the financial crisis with its first rate cut in more than seven years and a new £70 billion bond-buying program. The Bank of England is forecasting that unemployment will rise, housing prices will fall and inflation will go up. The Bank of England is joining central banks in Japan and the eurozone in buying large amounts of sovereign bonds, as global benchmark yields continue to descend to new lows, exacerbating the matching of future long-term liabilities for pension plans and insurance companies. The amount of global negative yielding debt has now risen to \$12.64 trillion, and is dominated by European and Japanese bonds. The Fed continues to be at odds with other central banks worldwide, as lower rates and stimulus efforts are underway in Europe and Japan, while the Fed prepares to tighten in the United States. (Sources: Bank of England, Eurostat, U.S. Treasury)

What An Olympic Gold Medal Is Actually Worth – Market Fact

Of the 78 countries that won medals in Rio, the U.S. won more Olympic medals than any other country that participated with a total of 121 medals. Of those, 46 were gold, 37 silver, and 38 bronze.



Surprisingly enough, U.S. Olympic athletes receive no formal financial support from the U.S. government. Instead, financial assistance is provided by the U.S. Olympic Committee, which is a federally chartered nonprofit entity receiving no federal funding whatsoever. Conversely, almost every other country that participated in the Rio Olympics offered government sponsored financial support. Countries such as Canada, China and the U.K. have appointed sports ministers that have dedicated resources available for Olympic athletes. Uniquely, Team USA athletes rely on the generosity of the American people to achieve their Olympic dreams. In addition to receiving a medal, the U.S. Olympic Committee also awards a cash prize along with each metal. Athletes are awarded \$25,000 for gold metals, \$15,000 for silver, and \$10,000 for bronze. What’s interesting is that the cash prizes are worth much more than the medals themselves. Based on recent commodity prices, the value of a gold medal is about \$564, silver is roughly \$305, and bronze is barely worth anything. (Sources: U.S. Olympic Committee)

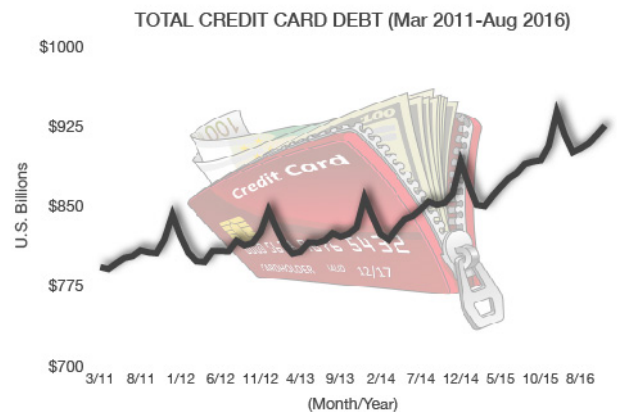
Credit Card Debt On The Rise – Consumer Finance

U.S. banks have ramped up lending to consumers through credit cards at the fastest pace since 2007. The industry has accumulated an additional \$18 billion of credit card loans and other types of revolving credit in the past three months.

Data released by the Federal Reserve shows that the U.S. banking industry has seen credit card and other revolving loans rise at a annual rate of 7.6% in the second quarter of 2016, to \$685 billion. The credit card business remains among the most profitable in banking as banks can charge much higher interest rates than other loan types, with average credit card rates between 12% and 14%.

Yet as credit card debt levels have risen, so have reserves for losses as banks anticipate delinquencies to rise. Within the past year U.S. banks have piled on about \$54 billion worth of loans to consumers through credit cards, according to Federal Reserve data. Financially savvy consumers that pay their balances down each month avoid hefty interest charges, but those that don’t, known as “revolvers,” pay average rates of between 12% to 14% and significantly more if they are considered higher risk. Seven years since the recession ended, consumers who were hit hard during the financial crisis have found their credit scores improving. Bankers attribute a rise in credit card issuance to rising home prices and low unemployment. Banks are also lending more since one of the most important drivers of their profits are net interest margins, the difference between returns on assets and the cost of funds, which remain near their lowest levels in decades. The average credit limit per card for a subprime borrower is about \$2,300, compared with about \$11,500 for the safest customers.

Source: Federal Reserve

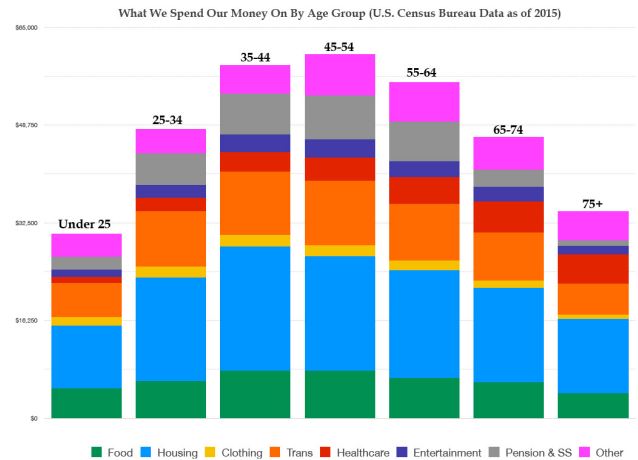


How Age Determines What We Spend On – Consumer Demographics

Demographics play a significant role in how much we spend and how we spend it. Spending is primarily dictated by age where different needs and life essentials change and evolve as consumers grow older.

Housing, transportation and food are the three largest expenses incurred by all age groups. As consumers move from their late 20s into their 30s, we earn more money and families start to grow. Expenditures on transportation, health care and entertainment become prevalent as households grow with children.

As we earn more, we also tend to save more in our 30s, 40s, and 50s by contributing to 401k plans and retirement savings. At 75 years of age and older, our retirement savings start to reduce as withdrawals increase to replace lost earned income.



Sources: Social Security Administration, U.S. Census Bureau

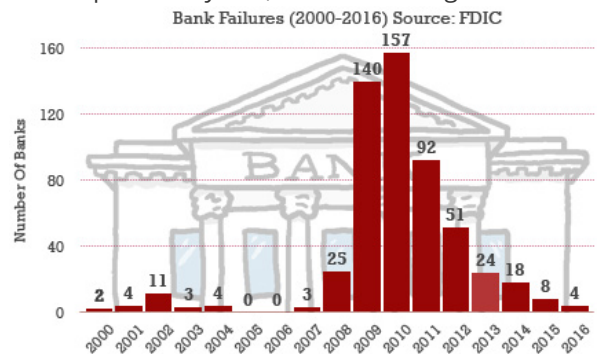
Bank Failures & The FDIC – Historical Note

The FDIC evolved following the aftermath of the market crash of 1929, when more than 9,000 banks failed between October 1929 and March 1933. The FDIC was formed when the Banking Act of 1933 was signed by President Roosevelt to protect bank depositors against bank insolvencies.

Bank failures are a direct result of lagging economic circumstances and a contraction on bank held assets. This is why bank failures skyrocketed during the first few years of the depression, then tapered off once stability was reestablished. Bank failures weren't an issue for decades until the S&L crisis in the early 90s and the results of the financial crisis of 2008. Since 2000, there have been 546 bank failures, the bulk occurring the three years following the crisis of 2008. For the past two years, failures among banks have been minimal.

Deposit insurance coverage was initially set at \$2,500 in 1934, which has risen to \$250,000 today. The current FDIC limit is substantially more than it was in 1934, even on an inflation-adjusted basis. The \$2,500 FDIC limit in 1934 is equal to \$44,896.83 in today's dollars.

Source: FDIC



* 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.