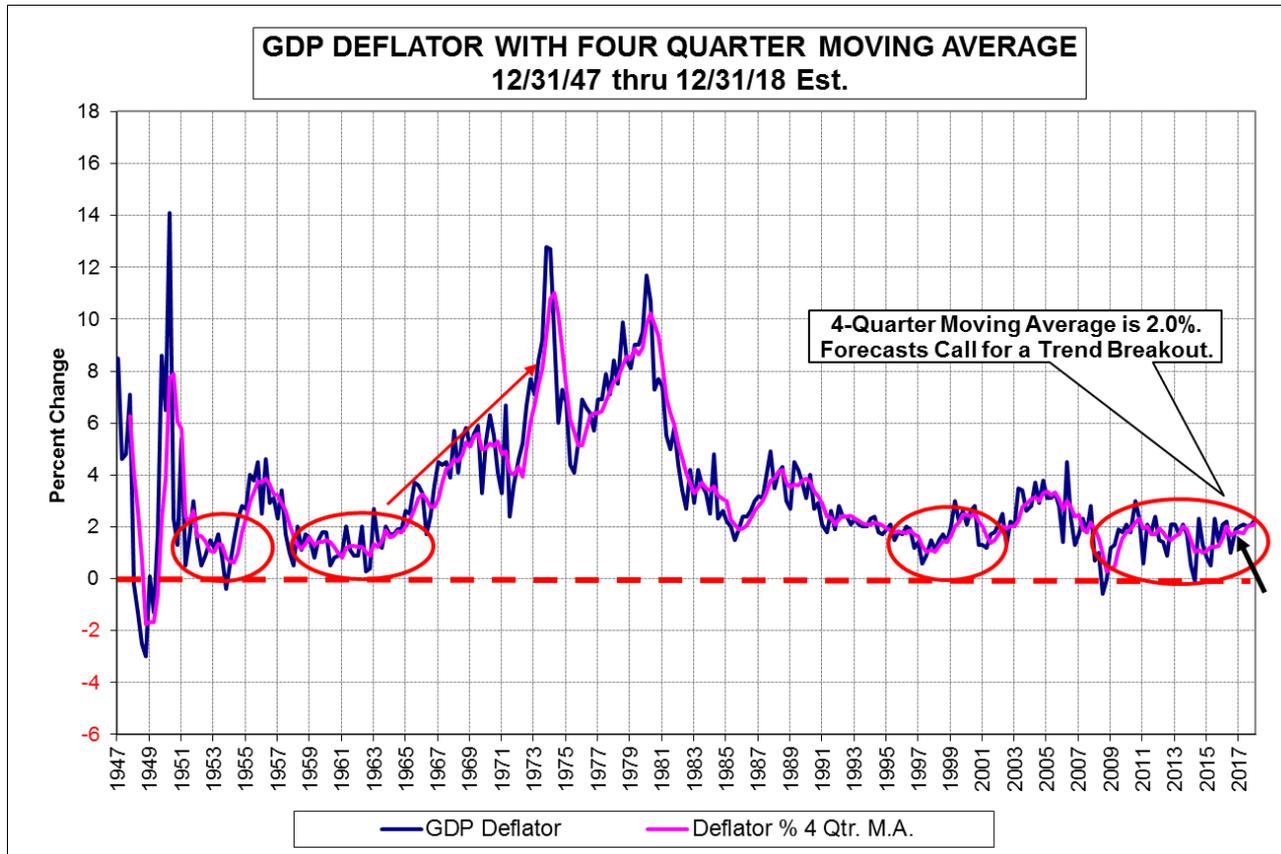
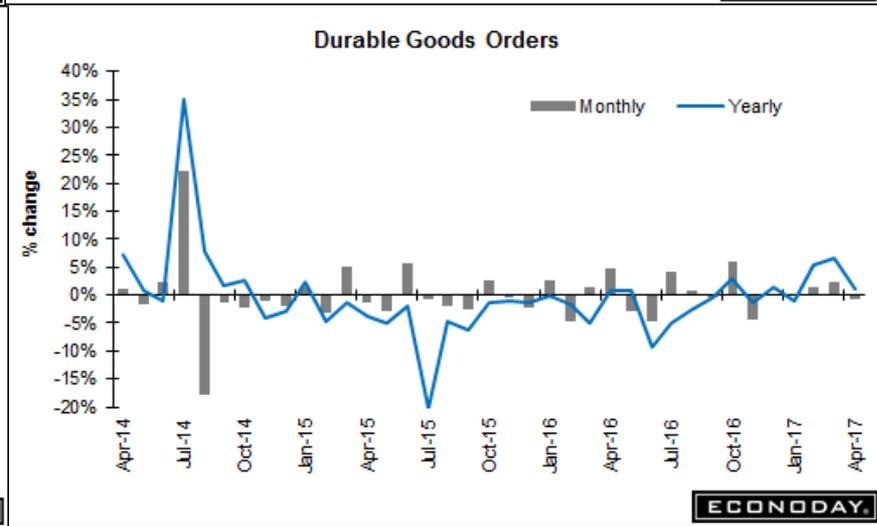
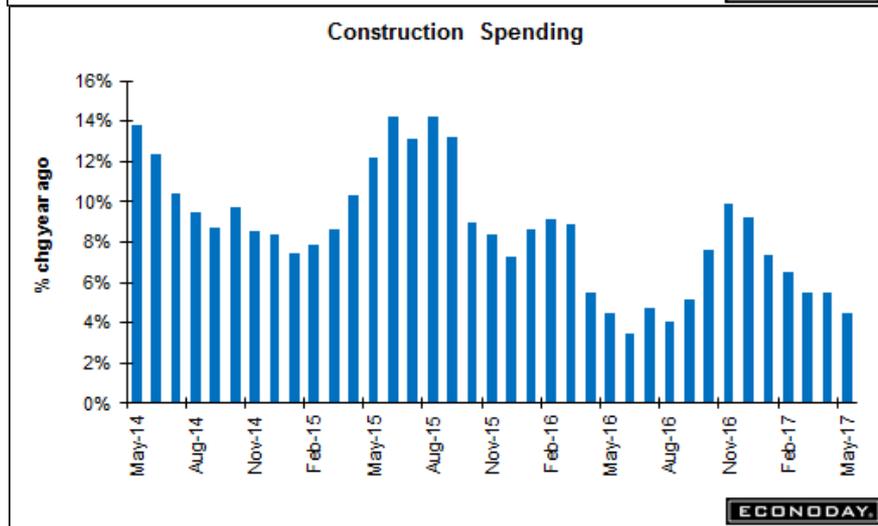
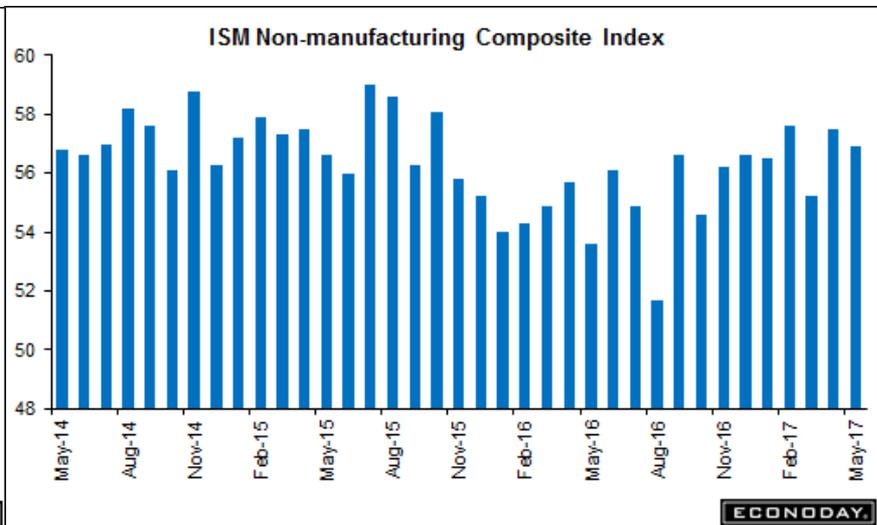
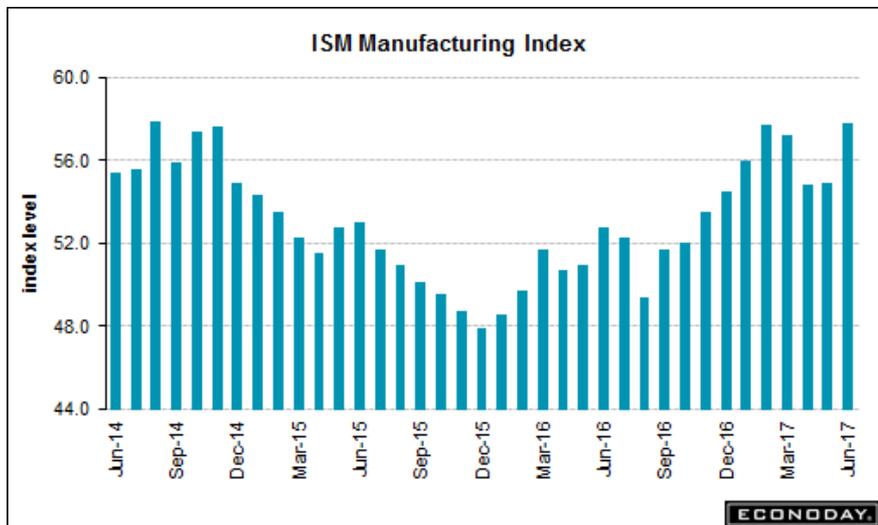


Interesting Charts and Commentary

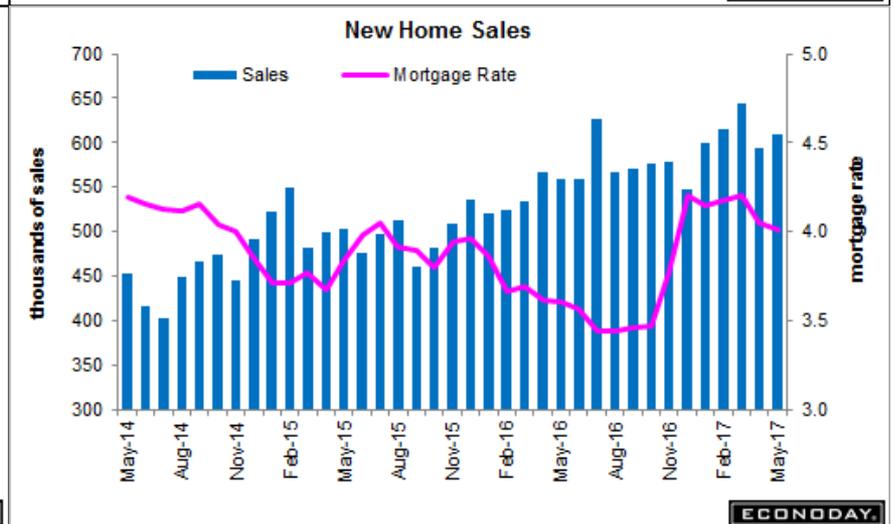
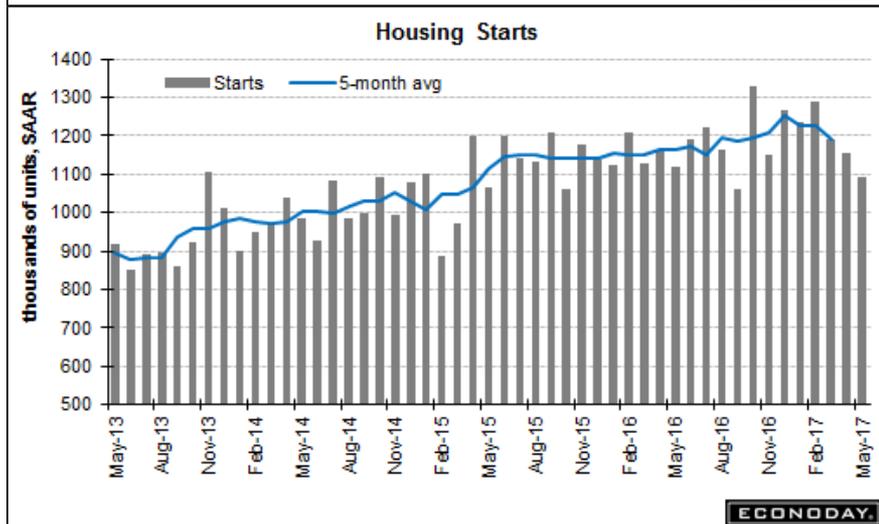
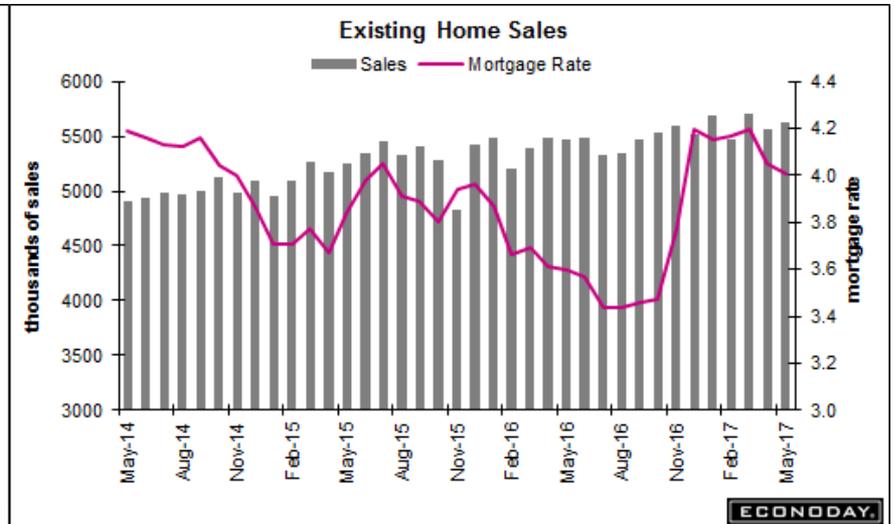
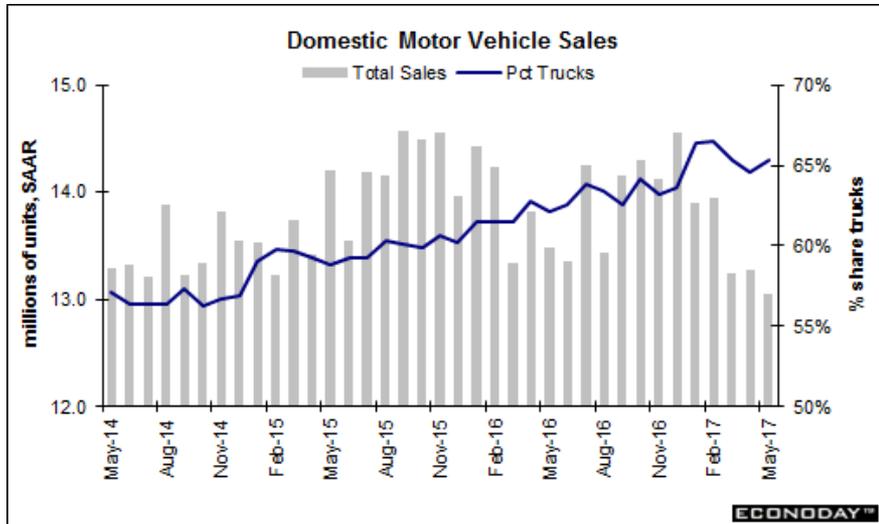
The U.S. Federal Reserve has begun tightening monetary policy after finally reaching its goal of 2% inflation. Nevertheless, inflation backed off to a 1.4% y/y rate (PCE) in May; the Fed expects contributing factors to be transitory. Regardless, home prices are up 6-7% y/y, supporting net worth increases, and farm prices are up 4.8 % y/y, accelerating in the most recent report.



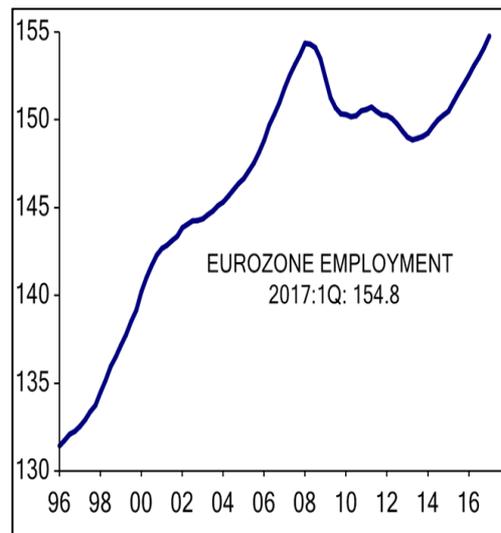
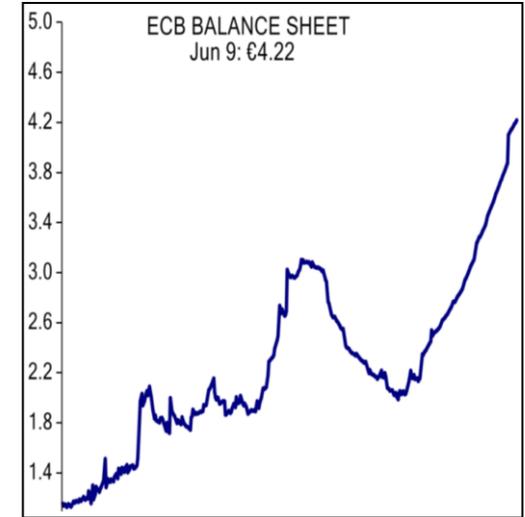
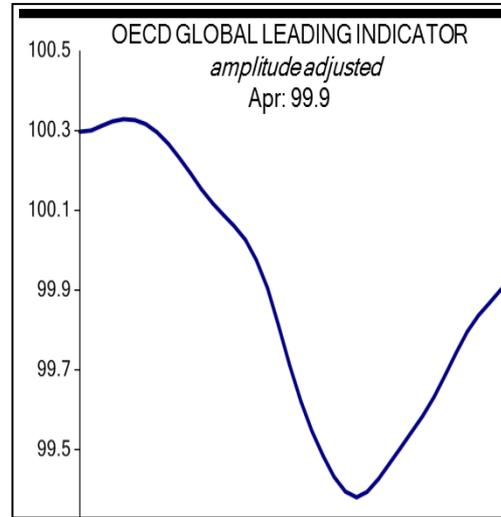
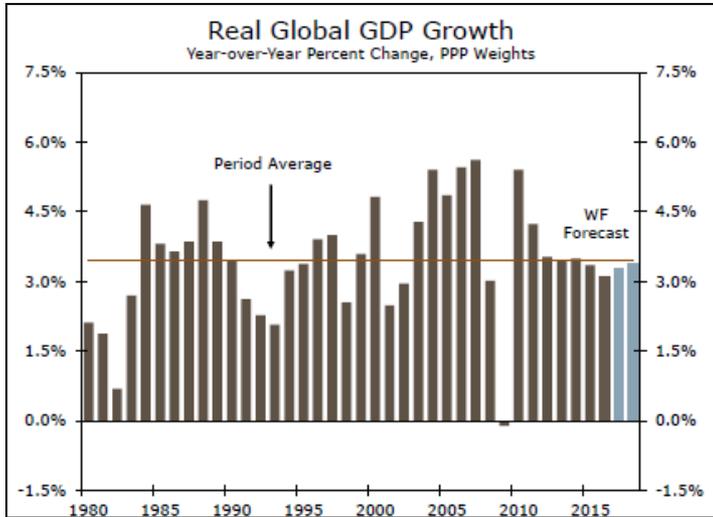
First quarter GDP likely was stronger than the 1.4% growth indicated because inventory drawdowns reduced growth by 1.1%. Other measures of manufacturing activity, such as the ISM and construction spending, have remained choppy but in expansionary mode.



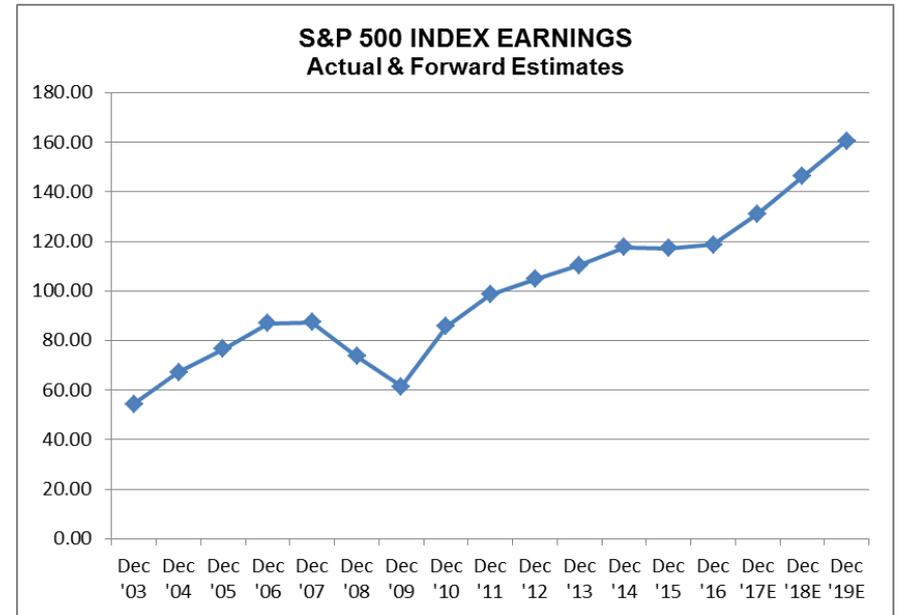
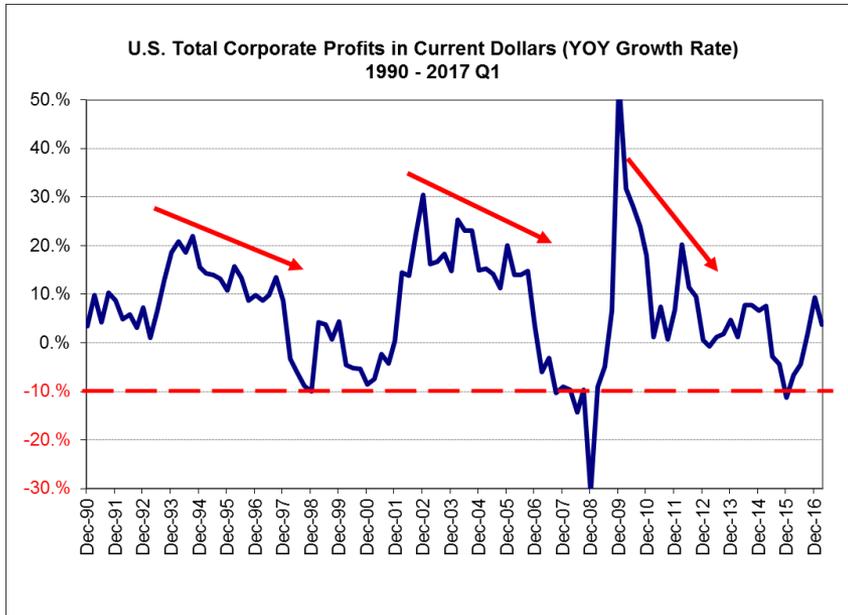
Although confidence remains high, consumers largely have abstained from robust retail purchases. Auto sales appear to have plateaued in this cycle, but home sales (new and existing) have accelerated recently, picking up some economic slack.



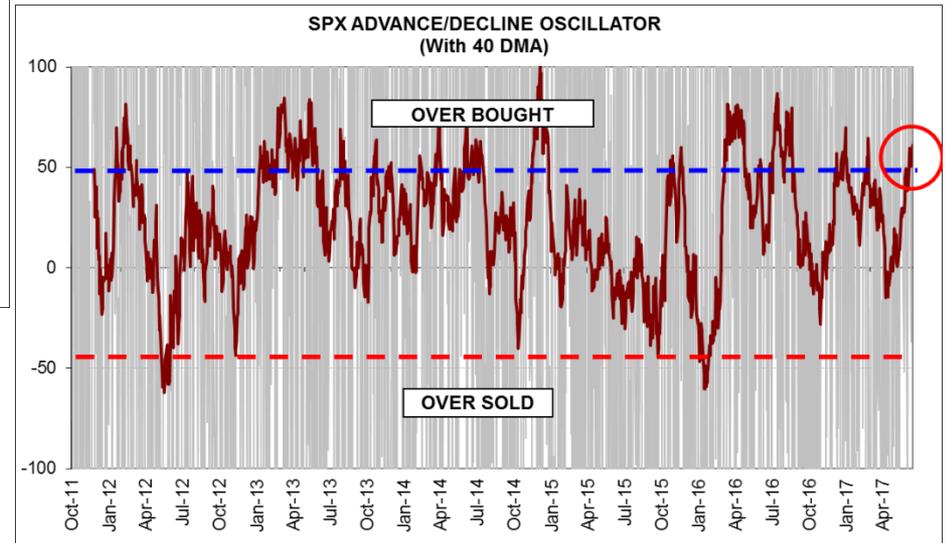
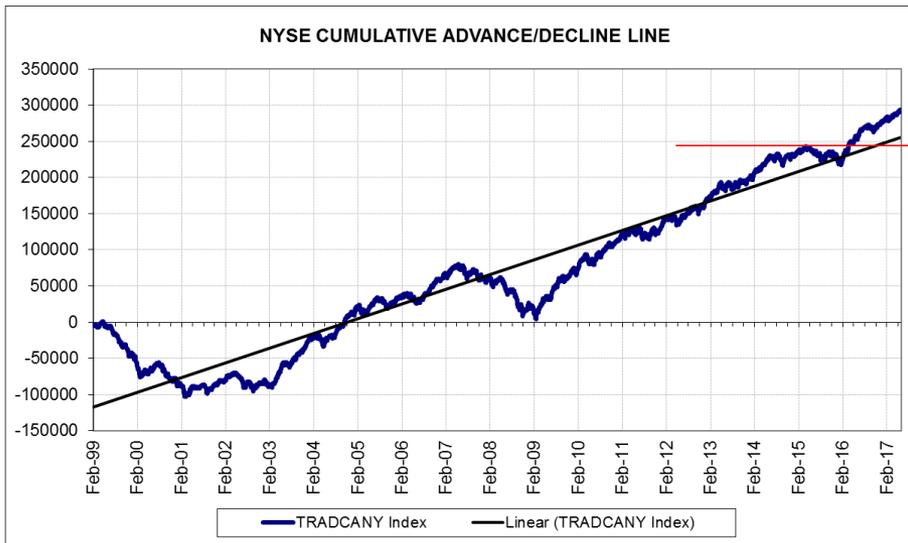
Economic data from around the world continue to suggest that a Synchronized Global Expansion is continuing. With 30% of aggregated S&P 500 company revenues originating from international markets, the global expansion has provided a favorable tailwind driving revenue and earnings growth for U.S. multinationals.



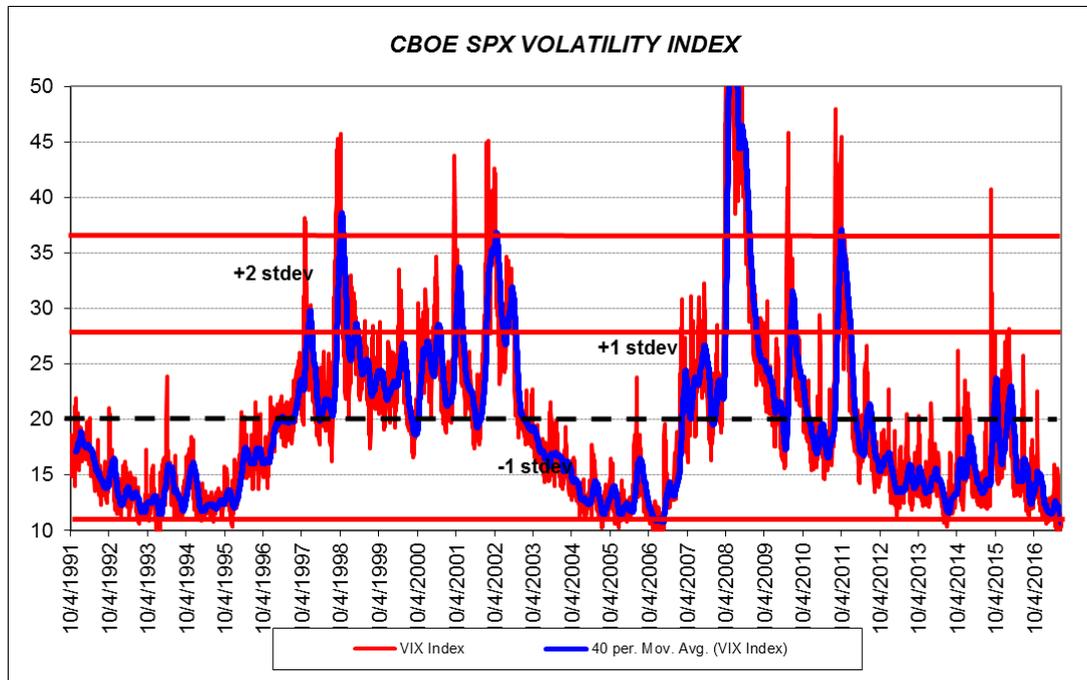
After a worrying pause in 2015, earnings estimates for S&P 500 companies are rising once again. After three years of flat earnings, S&P 500 companies delivered the best year-over-year growth rate since 2011 and are on target for double-digit earnings growth in 2017.



The technical condition of the market remains supportive of current prices, which are near record highs. The Cumulative Advance/Decline line continues to make new highs as well. However, the market advance may be ripe for a pause or correction as many stocks have become overbought, at least on a short-term basis.



Volatility across assets, and in particular for equities, has declined and stayed remarkably low YTD. Periods of low volatility are generally linked to the business cycle; low unemployment rates tend to anchor equity volatility. In addition, low volatility periods are usually 'risk on' and carry-friendly, with both equity and credit valuations increasing. However, uncertainty regarding central bank policies could generate higher volatility going forward.



Commentary

- The U.S. economy continues to expand, albeit at a moderate sub-3% rate, driven by a synchronized global expansion and rebound from a manufacturing recession. Indications do, however, show the probability of hitting a soft-patch, given recent data.
- After three years of flat earnings, S&P 500 companies delivered index earnings at the best year-over-year rate since 2011 and are on target for high single-digit to low double-digit 2017 earnings growth.
- With 30% of aggregated S&P 500 company revenues originating from international markets, the global expansion has provided a favorable tailwind driving revenue and earnings growth for U.S. multinationals.
- The technical condition of the market remains supportive of current prices. The Cumulative Advance/Decline line continues to make new highs along with price. However, the market advance may be ripe for a pause or correction; many stocks screen as overbought presently.
- Volatility across assets, and in particular for equities, has declined and stayed remarkably low YTD. Periods of low volatility are generally linked to the business cycle; low unemployment rates tend to anchor equity volatility.

Disclosure:

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