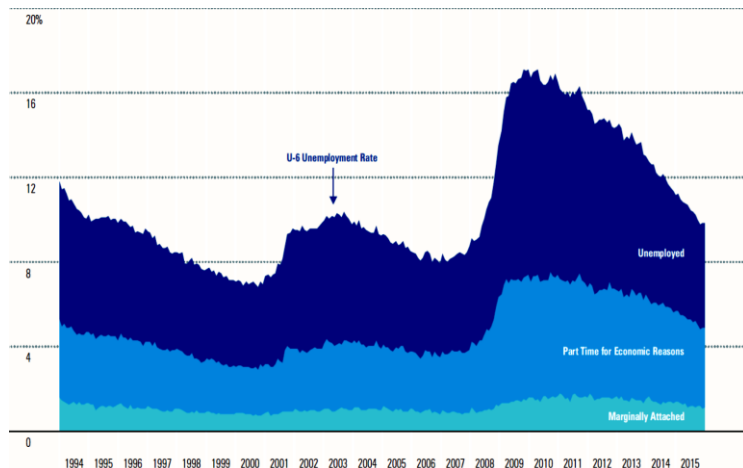


ECONOMIC/MARKET BRIEF

Underutilization of Labor Continues to Diminish



POSITIVES

- While the February ISM Manufacturing Index reading of 49.5 remains in contractionary territory for the 5th straight month, the index reported a moderate increase driven by improvement in production and employment
- Consumer strength continues to improve with year-over-year wage growth up 4.5%, year-over-year spending up 4.2%, and savings unchanged at 5.2%
- Inflation pressure is building as core PCE increased 1.7% year-over-year and average hourly earnings increased from 2% to 2.5% over the last 6 months
- Spillover of widening credit spreads within the energy sector into very high investment-grade corporate energy bonds has allowed us the opportunity to selectively add to bond ladders

CHALLENGES

- Even with many U.S. oil companies planning to cut production by 10% in 2016, oil dependent states and countries will likely remain challenged by depressed prices as OPEC continues to ramp up production
- While the U.S. dollar seems to have stabilized for now, monetary policy divergence between the U.S. and the rest-of-the world will likely continue to impact world trade and could result in further U.S. dollar strength
- Global interest rates remain historically low

Performance as of February 29, 2016

Index	Month	3 Months	YTD	1 YR	3 YR	5 YR
S&P 500	-0.13%	-6.59%	-5.09%	-6.19%	10.75%	10.13%
Dow Jones	0.75%	-6.13%	-4.68%	-6.55%	8.14%	8.94%
Russell 2000	0.00%	-13.38%	-8.80%	-14.97%	5.72%	6.11%
MSCI EAFE	-1.83%	-10.16%	-8.93%	-15.18%	0.38%	0.56%
MSCI Emg Mkts	-0.16%	-8.72%	-6.64%	-23.41%	-8.90%	-5.41%
Barcap Aggr	0.71%	1.77%	2.10%	1.50%	2.22%	3.60%

World 10-Year Government Bond Yields

