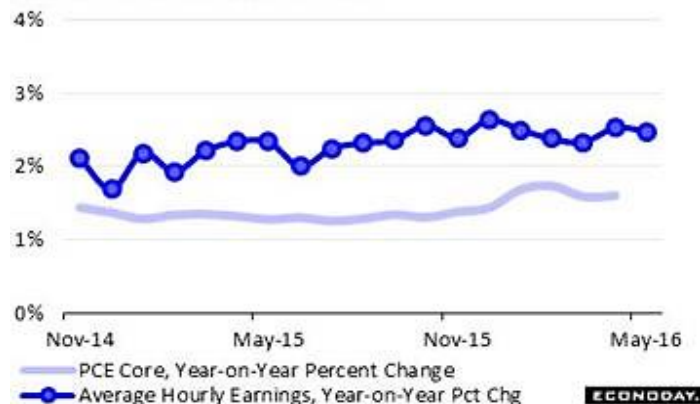


ECONOMIC/MARKET BRIEF

Key Inflation Readings Still Flat



Performance as of May 31, 2016

Index	Month	3 Months	YTD	1 YR	3 YR	5 YR
S&P 500	1.80%	9.12%	3.57%	1.72%	11.06%	11.67%
Dow Jones	0.49%	8.41%	3.34%	1.39%	8.19%	9.96%
Russell 2000	2.25%	12.15%	2.28%	-5.97%	6.93%	7.86%
MSCI EAFE	-0.91%	8.59%	-1.10%	-9.68%	2.00%	2.12%
MSCI Emg Mkts	-3.73%	9.60%	2.32%	-17.63%	-4.95%	-4.83%
Barcap Aggr	0.03%	1.33%	3.45%	2.99%	2.91%	3.33%

POSITIVES

- With a recent increase in fuel consumption, a series of supply disruptions, and production outages, global supply has somewhat rebalanced and driven crude oil prices to new 2016 highs
- The nation's trade deficit narrowed more than expected to \$37.4 billion and should positively impact second quarter 2016 GDP
- While consumer confidence remains somewhat mixed, future income expectations ticked up along with an increase in consumers expecting to buy a car or home within the next 6 months
- Labor markets continue to show strength as highlighted by a 7,500 decline in the four-week moving average of jobless claims to 269,500

CHALLENGES

- The World Bank once again lowered its global growth estimate by 0.5% to 2.4% citing a weaker outlook for commodity exporters and a challenging external environment with soft investment amid weaker growth prospects and elevated policy uncertainty
- The service sector, which is driven by the strength of the domestic consumer, is turning noticeably lower as indicated by a decline of 2.8 points in the ISM non-manufacturing index to 52.9 as well as a decline of 1.5 points in the services PMI to 51.3
- As wages continue to lag, inflation remains flat with the PCE Core Index struggling to meet the Fed's 2% target
- The nation's oil patch still remains in extended contractionary territory despite WTI surging 60% since February; as long as oil prices remain stable to increasing, these territories should start to benefit

Service Sector Indications Softening

