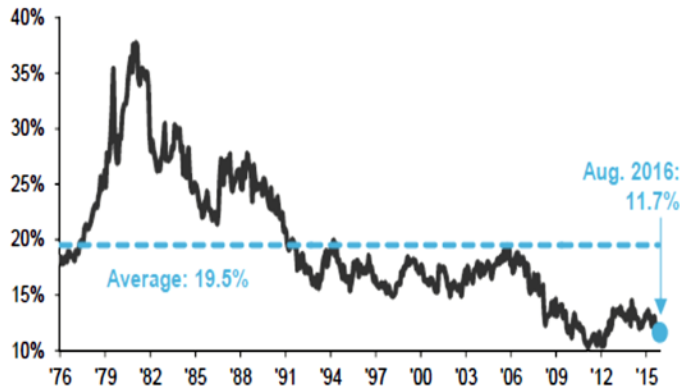


ECONOMIC/MARKET BRIEF

Housing Affordability Index

Avg. mortgage payment as a % of household income



POSITIVES

- Americans continue to clean up household balance sheets by significantly lowering average mortgage payments to 11.7% of income, down from approximately 19.5% at the peak of the Great Recession and average over the last 40 years
- Vehicle sales rose to an annualized 17.8 million units in September, up a surprising 4.7% from August
- While non-farm payroll growth was relatively soft compared to the last three months, 156,000 jobs were added in September
- Both the ISM manufacturing and non-manufacturing indices rebounded in September, suggesting that the significant decline both experienced in August was an anomaly

CHALLENGES

- The labor force participation rate remains at a low of 62.8% since the peak of the Great Recession, and while a good portion can be explained by those choosing to retire, the aging effect and cyclicity do not tell the whole story
- As of September 30, 2016, the real yield on a 10-year treasury was -0.70%; thus, savers are not being compensated adequately for inflation and are in essence paying to save
- Soft consumer spending and capital goods shipments will likely weigh on third quarter GDP growth; thus, market expectations for a November interest rate hike have cooled

Performance as of September 30, 2016

Index	Month	3 Months	YTD	1 YR	3 YR	5 YR
S&P 500	0.02%	3.85%	7.84%	15.43%	11.16%	16.37%
Dow Jones	-0.41%	2.78%	7.21%	15.46%	9.23%	13.77%
Russell 2000	1.11%	9.05%	11.46%	15.47%	6.71%	15.82%
MSCI EAFE	1.23%	6.43%	1.73%	6.52%	0.48%	7.39%
MSCI Emg Mkts	1.29%	9.03%	16.02%	16.78%	-0.56%	3.03%
Barcap Aggr	-0.06%	0.46%	5.80%	5.19%	4.03%	3.08%

Labor force participation rate decline since 2007 peak*

Population employed or looking for work as a % of total, ages 16+

