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| **RESOURCE LOG – June 2016** | | | | |
| **Article Title** | **Detail** | **Publication** | **Date** | **Author** |
| What’s News | ♦ The Dow fell 86.02 points to 17787.20 but ended May slightly higher, its fourth straight month of gains. | The Wall Street Journal | 06/01/2016 |  |
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| Housing Recovery Picks Up Steam | Home prices are back to near-record highs across the U.S. amid rising demand and supply constraints, a sign that the lopsided housing-market recovery of the past five years is gaining some strength.  The S&P/Case-Shiller national home-price index, released Tuesday, has clawed its way back to within 4% of its 2006 peak, a steep rise from the near 30% decline at the bottom in 2012.  After years of volatility, home prices have grown at a rate around 5% since early 2015. | The Wall Street Journal | 06/01/2016 | Laura Kusisto and Chris Kirkham |
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| Oil’s Cost: Important as Its Price | Most investors can tell you how much a barrel of oil fetches at the moment. Those in the industry can, too, or course, but they are watching another number closely: how much it costs to produce that barrel.  While that varies geographically and geologically, it has become cheaper nearly everywhere.  Deutsche Bank oil-field-services analyst Mike Urban estimates exploration-and-production companies have cut well costs by 30% to 50% - but that half to two-thirds of that is “cyclical”.  In other words, part if due to technical advances that may have made shale production permanently cheaper. The cyclical part is because oil-field-services companies have had to cut prices to keep customers – an unsustainable condition. | The Wall Street Journal | 06/01/2016 | Spencer Jakab |
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| Summer 2016 Economic Outlook | |  |  |  |  |  |  | | --- | --- | --- | --- | --- | --- | | ESTIMATED ECONOMIC VARIABLES AND INTEREST RATES | | | | | | |  |  |  |  |  |  | |  | Q1 2016 | Q2 2016 | Q3 2016 | Q4 2016 | Q1 2017 | |  |  |  |  |  |  | | Real GDP | 2.10% | 1.80 | 1.80 | 2.10 | 2.40 | | Consumer Price Index | 1.10% | 1.10 | 1.30 | 1.70 | 2.20 | | 3-month Treasury Bill | 0.63% | 0.76 | 0.88 | 1.07 | 1.26 | | 10-year Treasury Note | 1.77% | 1.92 | 2.08 | 2.24 | 2.39 | | Unemployment | 4.90% | 4.80 | 4.80 | 4.70 | 4.60 | | Source: Bloomberg |  |  |  |  |  | | In this environment we expect consumer spending to be guarded, capital investment to remain in the doldrums, and government spending to be constrained for the balance of the year. The result is likely to be continued sluggish U.S. economic growth. | | | | | | | Wintrust Wealth Management | 06/01/2016 | Thomas R. Kiley  Chief Executive Officer, Great Lakes Advisors |
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| The European Union is in Big Trouble  *The European experiment is in jeopardy if the U.K. votes for a Brexit in June – and if it doesn’t.* | No coming event on the global political and economic calendar – even the U.S. presidential election – is more consequential than Britain’s historic referendum on its membership in the European Union. On June 23, U.K. citizens will decide if their nation will become the first member state to exit the EU in its 58-year history. Besides triggering a political crisis in London, an affirmative “Brexit” vote would cause an immense upheaval from Paris to Warsaw.  The departure of Britain’s $3 trillion economy would embolden the EU’s growing number of anti-euro parties – and mainstream voters – who view the EU’s grand plans for integration as a threat to their nations’ sovereignty.  Right now most polls predict a narrow win for what’s known as the “remain”, or stay in the EU….  The EU imposes heavy duties on manufactured goods from outside the union and espouses a highly protectionist agricultural policy. Prices for everything from food to appliance to PCs are about 20% higher in Europe than on world markets. Freed from those barriers, the U.K. could lower prices for consumers by an estimated 8%.  Since 2010, the GDP of the 28-member EU has grown a total of just 5.2%, and the 19-nation Eurozone expanded at just over half that rate, badly lagging the U.S. (12%), Australia (14.5%), and Canada (9.3%). | Fortune Magazine | 06/01/2016 | Shawn Tully |
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| Rewriting Recent Economic History | Something looks wrong. Just as consumer spending picks up, business investment is headed in the opposite direction: It’s down now for two straight quarters, which typically has happened only in a recession.  These numbers add to evidence that today’s sub-par economic growth isn’t just an aftereffect of the Great Recession but part of a deeper malaise that pre-dates, and indeed may have helped cause, the financial crisis.  Consider how poorly the economy has performed. Growth averaged 3% between 1980 and 2007. Since then it has averaged 1.2%.  There are several possible explanations. In the case of the U.S., the most popular is that the crisis and recession undermined potential, by driving workers out of the labor force for good and forcing businesses to slash their capital spending because they couldn’t borrow, were worried about the future, or faced stiff new regulations.  An alternative theory is that causation runs the other way: underlying growth had started to slip in the early 2000s, and that, indirectly, led to the recession.  Tepid growth is virtually self-fulfilling. When productivity is sluggish, as it is around the world now, so are incomes and spending. That can in turn discourage companies from investing in otherwise promising technology. | The Wall Street Journal | 06/02/2016 | Greg Ip |
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| What’s News | ♦ OPEC members revived the idea of an output cap in closed-ddor ralks ahead of their official meeting. | The Wall Street Journal | 06/02/2016 |  |
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| Fed to Push Big Banks on Capital | The biggest American banks will likely have to bulk up their balance sheets further to protect against possible financial shocks, Federal Reserve officials said Thursday.  The new requirements could crimp profitability and dividend payouts at those firms, while increasing pressure on them to shrink. | The Wall Street Journal | 06/03/2016 | Ryan Tracy and David Reilly |
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| What’s News | U.S. stocks edged higher on a rally in health-care shares. The Dow rose 48.89 points to end at 17838.56. | The Wall Street Journal | 06/03/2016 |  |
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| Negative Yielding Debt at New High | The amount of global sovereign debt with negative yields surpassed $10 trillion for the first time in May, according to Fitch Ratings.  It is spread across 14 countries, with Japan by far the largest source of negative-yielding bonds.  The amount of debt with yields below zero has increased sharply this year as global central banks have instituted unconventional policy measures, such as negative interest rates. | The Wall Street Journal | 06/03/2016 | Ben Eisen |
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| Draghi Urges Patience on ECB Stimulus | The European Central Bank sounded a note of cautious optimism on the eurozone’s economic recovery on Thursday after leaving its €1.8 trillion ($2 trillion) stimulus unchanged.  But President Mario Draghi left open the door to fresh action if inflation remains below target – a distinct possibility, judging by the ECB’s latest forecasts.  That indicates further stimulus may be needed if policy makers are to meet their inflation target of just under 2%. Consumer prices have been falling in the bloc for much of this year.  The ECB has ramped up its stimulus aggressively in recent months, slashing interest rates further below zero, accelerating its bond-purchase program and announcing a series of cheap loans for banks. Some of those steps have yet to be implemented.  Mr. Draghi highlighted risks to the growth outlook related to developments in the global economy, including a possible exit of Britain from the European Union. | The Wall Street Journal | 06/03/2016 | Tom Fairless and Paul Hannon |
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| Stock sellers got burned in May but volatility set to return in June | If you sold in May, you went away too early. The Standard and Poor’s 500 stock index rolled to a 1.53% gain in May, and 1.80% with dividends reinvested. For the three months ended May, the blue-chip index is up 8.53%, or 9.12% with dividends.  Information technology was May’s leader, gaining 5.28%, according to Howard Siverblatt, senior index analysts for S&P Dow Jones. Large-cap growth funds, for example, gained an average 2.24%, while tech funds gained 4.80%, according to Morningstar.  Energy was the biggest loser, down 1.17%, even though oil passed the $50 per barrel mark for the first time since November. Energy funds fell 1.31%.  Commodities added a dose of misery to your portfolio: Managed futures funds fell 1.09%, Natural resources funds fell 2.79%, and gold funds plunged 10.75%. | Investment News | 06/03/2016 | John Waggoner |
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| This Week in Review: Weak U.S. Payrolls Put Summer Rate Hike in Peril | Global Economic News  Weak payrolls could trip up Fed. The Fed has been methodically building a case in recent weeks for a summer rate hike, but Friday’s weak employment report cast doubt that the Federal Open Market Committee (FOMC) will be able to follow through. U.S. nonfarm payrolls rose just 38,000 in May, while the weak April report was revised lower by an addiaddition41,000 jobs. Although the unemployment rate dropped to 4.7%, the lowest level in this cycle, it fell mostly because participants dropped out of the labor force, not because more workers found jobs.  Growth modest, Fed says. The Fed’s Beige Book, which sets the economic stage for the FOMC ahead of its meeting later this month, describes growth across the U.S. as modest. A few districts reported moderate growth, while two districts – Chicago and Kansas City – reported that it had slowed.  OPEC leaves Vienna without production agreement. OPEC ministers failed to come to an agreement on production levels…  Brazil remains in recession. Gross domestic product in Latin America’s largest economy contracted by 5.4% in the first quarter of 2016, Brazil reported this week. Brazil’s recession is the longest since the 1930’s, fueled largely by a collapse in commodity prices.  OECD global growth forecast lowered. The Organization for Economic Cooperation and Development lowered its forecast for global growth in 2016 to 3.0% from its previous 3.3% outlook. | MFS Investments | 06/03/2016 | James Swanson, Chief Investment Strategist |
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| Bank Stocks Fall With Rate Hopes  *Weak jobs data dim outlook for a summer lift by Fed to boost profits from lending* | Investors punished financial stocks again following Friday’s soft U.S. jobs report, highlighting their vulnerability to even modest shifts in the economic outlook.  Share of Bank of America Corp. and Citigroup Inc. fell more than 3% after Labor Department data showed the U.S. created 38,000 jobs last month, a fraction of the 158,000 expected by economists. | The Wall Street Journal | 06/04/2016 | Ben Eisen |
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| Weak Hiring Dims Outlook For the Fed | The U.S. job market notched its weakest monthly gain in more than five years, knocking down expectations for a Federal Reserve rate increase and stirring worries about the seven-year-old economic expansion.  Employers added 38,000 jobs in May, the weakest performance since September 2010, the Labor Department said Friday. The unemployment rate, obtained from a separate survey of households, fell to 4.7% from 5% in April largely due to a steep decline in labor-force participation.  The weaker-than-expected report diminished the likelihood of a move by the Fed at its June 14-15 meeting and also dragged down expectations tied to the July meeting. | The Wall Street Journal | 06/04-05/2016 | Harriet Torry |
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| Just Once Before | The ongoing bull market for the S&P 500 stock index will reach 87 months in length (i.e., 7 years and 3 months) as of the close of trading this Thursday (06/09/16). The bull run, the index’s 11th 1950, is just the 2nd bull since 1950 to reach 87 months in length. The S&P 500 consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market value weighted index with each stock’s weight in the index proportionate to its market value. | Direxion Investments | 06/06/2016 | BTN Research |
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| Fed Back in Wait-See Mode  *Bank officials want economy to stay on track before raising interest rates again* | The Federal Reserve’s plans for boosting short-term interest rates went on hold after Friday’s dismal jobs report, with central bank officials now wanting to see whether the economy remains on track before they make a move.  A rate increase at the Fed’s June 14-15 meeting is almost surely off the table. A move at their July meeting six weeks later is still possible though less likely,… | The Wall Street Journal | 06/06/2016 | Jon Hilsenrath and Kate Davidson |
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| What to Watch  *‘Don’t tell me this (bull) ain’t got no heart’* | At the 2016 market low on Feb. 11, the bull was down 14.2% from its record high. Pretty much everyone on Wall Street figured the bull was done and the first bear market since 2009 was coming soon.  But the bull rebounded.  And if it can close above its previous record high, it will officially take its place as the second-longest running bull ever. | USA Today | 06/08/2016 | Adam Shell |
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| Battered Shale Hub Attracts Buyers | The vultures are descending on North Dakota.  Hundreds of wells have changed hands or are in the process of being sold, state figures show, to a grab bag of fortune seekers ranging from industry experts to first-time wildcatters. They are picking up properties as more established producers scale back or shed assets to pay creditors.  But the need to drill deep wells and a lack of infrastructure also have made the Bakken one of the costliest U.S. shale fields. U.S. oil prices settled above $50 on Tuesday for the first time since July, but that still isn’t enough to make many of the region’s wells profitable. | The Wall Street Journal | 06/08/2016 | Chester Dawson |
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| What’s News | ♦ Yields on 10-year debt of Germany and the U.K. hit all-time lows amid scant inflation, weak growth and outsize monetary policy. | The Wall Street Journal | 06/08/2016 |  |
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| What’s News | ♦ U.S. stocks edged higher after oil settled above $50 a barrel. The Dow rose 17.95 points to 17938.28. | The Wall Street Journal | 06/08/2016 |  |
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| Stocks Gain for Third Consecutive Day | Major U.S. stock indexes rose for the third session in a row as the S&P 500 closed in on its record and the Dow industrials finished above 18000.  The Dow Jones Industrial Average gained 66.77 points, or 0.4% to 18005.05, closing above the 18000 mark for the first time since April 27.  The rebound in oil prices bodes well for an eventual recovery in profit at energy companies, analysts said. This year’s decline in the dollar, which went another leg lower after Friday’s dismal jobs report diminished expectations for an interest-rate rise in the next few months, also could lift profits at U.S. companies that earn profits overseas.  Gold for June delivery rose 1.2% to $1,259.80 an ounce.  Government-bond yields hovered near low levels Wednesday. The yield on the 10-year U.S. Treasury note slipped to 1.706%, from 1.713% on Tuesday. Prices rise when yields fall. The 10-year German government-bond yield fell as low as 0.036%, the all-time intraday low, before rebounding,… | The Wall Street Journal | 06/09/2016 | Saumya Vaishampayan and Riva Gold |
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| What’s News | ♦ U.S. stock indexes rose for the third session in a row, with the Dow gaining 66.77 points to 18005.05. | The Wall Street Journal | 06/09/2016 |  |
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| Bonkers: 50-Year Yield Under 2% | British government bonds are yielding less than 2% for 50 years. That is locking up your money for 50 years at a yield less than the Bank of England’s inflation target.  The drop is one part of a global race for yield that has pushed up the prices of long-dated bonds and pushed down their yields rapidly since late January.  The trigger seems to have been Japan’s move to negative rates, pushing the country’s investors to buy higher-yielding bonds maturing further into the future. Yields plummeted to silly levels – the 40-year bond yields 0.35%...  A weaker economy justifies lower bond yields, but how much lower? There is no right answer, but the yields at present imply a really nasty outcome, even as many other assets rebound. | The Wall Street Journal | 06/09/2016 | James Mackintosh |
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| Weak Returns in Rest of World Drive Investors Into U.S. Bonds | The global hunger for U.S. government debt is intensifying as investors seek better returns from the negative yields and record-low rates found in Japan and Europe.  On Thursday, an auction of 30-year Treasury debt attracted some of the highest demand ever from overseas buyers, at a yield of2.475%, the lowest for the 30-year bond since January 2015.  The yield on the German bond is just four hundredths of a percentage point away from turning negative, which would mean buyers would get back less than they paid if they held the bonds to maturity.  U.S. Treasurys are the “one-eyed king”, said David Keeble, global head of interest-rates strategy at Crédit Agricole SA. “There is just a shortage of yield on the planet”. | The Wall Street Journal | 06/10/2016 | Min Zeng |
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| U of M Sentiment Survey: Where is the Inflation? | ● Consumer sentiment printed at 94.3, which was above consensus expectations of 994.0, but below the prior month’s reading of 94.7.  ● Household expectations of current conditions, that takes into account Americans’ view of their personal finances, jumped to 111.7 from 109.9. This is the highest print since 2005.  ● 1-yr ahead inflation expectations were unchanged at 2.4%, which is the lowest anticipated inflation rate since the aftermath of the Great Recession.  ● **On the other hand, inflation expectations between 5 yrs and 10 yrs fell to 2.3% from 2.5%. This is the lowest level recorded in nearly a half century.** | U of M Sentiment | 06/10/2016 | Piper Jaffray & Co. |
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| Business Investment in a Slump | Capital spending fell 6.2% at an annual rate in the first quarter following a 2.1% drop late last year, its worst such stretch since 2009 and a big reason the economy nearly stalled in that period, Commerce Department data show.  Business outlays proved sluggish throughout 2015,… That, however, was largely chalked up to a pullback by energy companies amid the plunge in oil prices.  But the investment slump has widened in recent months a cross an array of sectors, says Howard Silverblatt, senior analyst for S&P Dow Jones Indices.  Business spending typically makes up 12.5% of economic activity but has an outsized impact.  A big reason for the recent skid is the financial market turbulence early this year that drove down stock prices and raised corporate borrowing costs, economist Mark Zandi of Moody’s Analytics says. | USA Today | 06/10/2016 | Paul Davidson |
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| What’s News | ♦ A two-day slump in stocks erased a weekly gain in the S&P 500. The Dow fell 119.85 points to 17865.34 Friday. | The Wall Street Journal | 06/11-12/2016 |  |
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| Nearly Fifty a Barrel | Since bottoming at $26.21 a barrel 4 months ago on 02/11/2016, the price of oil has rebounded +86% to $48.88 a barrel by the close trading on Friday 06/10/2016. | Direxion Investments | 06/13/2016 | CME Group |
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| How Low Can Yields Go?  *Even after record declines, government-bond yields are seen as having further to go* | Record-shattering declines in government-bond yields are forcing investors to reassess once again just how low interest rates can go.  The 10-year German government-bond yield closed at an all-time low of 0.028% Friday, putting it on the cusp of expanding the record global pool of negative-yielding sovereign debt. The yield on the 10-year U.S. Treasury note settled at 1.639% Friday, the lowest closing since May 2013.  The plunge is the latest shocker for analysts and investors who have spent much of the post-crisis period predicting a liftoff for U.S. and global interest rates. They have been spectacularly wrong. The 10-year U.S. yield has dropped more than 0.6 percentage point in 2016 and is close to its record low four years ago.  Even now, yields have a clear path lower, traders and portfolio managers said. Economic growth appears soft, inflation remains low, and central banks are purchasing large amounts of corporate and government debt. Few said they expect rates to rise significantly this year, citing economic slack afflicting labor markets around the globe.  Some analysts said the U.S. 10-year yield could break its all-time closing low of 1.404%, set in the summer of 2012, if the market faces a shock that prompts investors flight to safe bonds. | The Wall Street Journal | 06/13/2016 | Min Zeng |
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| Stocks Falter on Growth Worries  *Concerns about U.K. vote, stronger yen send shares broadly lower world-wide* | U.S. stocks fell following steep declines in Europe and Asia amid fresh jitters about the world’s economy.  Falling government-bond yields and a strengthening yen highlighted investor concerns about global growth, central-bank policies and the impact of a coming U.K. vote on whether to remain in the European Union.  The Dow Jones Industrial Average fell 132.86 points, or0.7%, to 17732.48. The S&P 500 declined 17.01 points, or 0.8%, to 2079.06 and the Nasdaq Composite dropped 46.11 points, or 0.9%, to 4848.44. | The Wall Street Journal | 06/14/2016 | Riva Gold and Aaron Kuriloff |
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| There’s No Exuberance In This Bull Market | Could this be the most pessimistic bull market in history? The S&P 500 is just one good day’s trading away from a new record, yet the usual rush into go-go stocks is nowhere to be seen.  Instead of chasing growth and profits, investors this year have bought into safety – in a big way. Only two of the 10 top-level sectors which make up the market have reached new highs this year, and they are the antithesis of exuberance: utilities and consumer staples. | The Wall Street Journal | 06/14/2016 | James Mackintosh |
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| Government-debt yields take dive | Investors are running away from risk in a serious way, and one of the most obvious effects of that is the surging prices and diving yields on government debt.  The yield on Germany’s 10-year bond turned negative for the first time ever on a closing basis Tuesday. The yield on the U.S. Treasury’s 10-year note briefly dropped below 1.6% for the first time since 2012.  Signs that global investors hunkering down include:  ►Plunging rates on German and U.S. government debt, Government debt has been a reliable haven during recent economic worries….  Utilities stocks, known for stable cash flows and strong dividends, are up 17% this year – the top performers of the 10 sectors.  ►Increasing fear gauge. Traders are watching the rapidly rising CBOE Volatility S&P 500 Index, or “Vix”, a measure of how nervous investors have become. The Vix has spiked 50% over the past four days, although it is still 26% lower than it was when investors had their first panic this year in February. | USA Today | 06/15/2016 | Matt Krantz |
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| Stock Selloff Deepens; Yields Fall | U.S. stocks fell for the fourth consecutive session, led by declines in financial shares.  Recent market action has dragged the S&P 500 back from near-record levels as investors consider coming central-bank decisions, the state of the global economy and next week’s U.K. vote on European Union membership.  The S&P 500 posted its largest four-day decline since February in the period ended Tuesday, and is now 2.6% below its all-time closing high. | The Wall Street Journal | 06/15/2016 | Saumya Vaishampayan and Riva Gold |
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| What’s News | ♦ Yields on Germany’s 10-year government debt fell below zero for the first time ever and European stocks continued to slide amid “Brexit” concerns. | The Wall Street Journal | 06/15/2016 |  |
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| What’s News | ♦ U.S. stocks declined for a fourth session. The Dow shed 57.66 points to 17674.82. | The Wall Street Journal | 06/15/2016 |  |
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| Wary Fed Rethinks Pace of Hikes | The Federal Reserve held short-term interest rates steady and officials lowered projections of how much they’ll raise them in the coming years, signs that persistently slow economic growth and low inflation are forcing the central bank to rethink how fast it can lift borrowing costs.  Wednesday’s moves marked a stark reversal from just a few weeks ago, when several Fed officials, including Chairwoman Janet Yellen, dropped strong hints they might raise rates in June or July.  Officials still expect modest economic growth near 2% annually over the next three years, a rise in consumer-price inflation to2%, and an unemployment rate below 5%. | The Wall Street Journal | 06/16/2016 | Jon Hilsenrath and Kate Davidson |
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| U.K. Vote Upends Strategies | Investors snapped up haven assets anew early Thursday, sending gold and the Japanese yen to two-year highs and punishing global stock indexes, before a late-day reversal in U.S. markets helped the Dow industrials to break a five-day losing streak.  What global investors say only weeks ago as a long shot in spurring a broad reassessment of trading strategies and asset holdings,… | The Wall Street Journal | 06/17/2016 | Ben Dummett, Chao Deng and Riva Gold |
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| Stock Volatility Expected to Last | The futures market is signaling that a recent jump in stock-market volatility is here to stay, as investors grapple with a British vote next week on whether to leave the European Union.  The CBOE Volatility Index, or VIX, rose to a four-month intraday high of 22.89 Thursday, following a 43% surge last Friday and this Monday. Sharp gains this week also are reflected in longer-term contracts in the VIX futures market, signaling expectations that volatility will remain elevated for months to come.  The VIX futures curve is one of a number of signs of rising fear in the markets, as Britain prepares to vote next week on an exit from the EU…. | The Wall Street Journal | 06/17/2016 | Ben Eisen and Saumya Vaishampayan |
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| What’s News | ♦ U.S. Inflation continued to firm last month as higher gas prices and rapidly rising rents more than offset a drop in grocery prices. | The Wall Street Journal | 06/17/2016 |  |
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| Blue Chips Fall 1.1% During Rocky Week  *Polls showing race tightening in British vote about leaving EU weigh on shares* | U.S. stocks fell, capping a rocky week when traders focused on the consequences of the coming U.K. vote on whether to stay in the European Union.  Traders described an uneasy calm in the stock market Friday following a string of losses. As of June 8, the S&P 500 had been up 3.7% for 2016. The index had pared those gains as of Friday’s close to be up 1.3% this year. | The Wall Street Journal | 06/18-19/2016 | Corrie Driebusch and Riva Gold |
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| Junk Bonds Regain Fans  *Investors embrace U.S. high-yield debt as other assets look pricey; net positive from U.K. exit?* | Some investors are turning again to junk bonds, saying their higher yields make them a good bet at a time when many stocks and government bonds appear richly valued.  Yet riskier corporate debt, which investors fled in the first month of the year, now pays above-market yields while appearing less stretched than many other asset classes, many portfolio managers and analysts say. The average yield for junk bonds in the U.S. is 7.4%, according to Barclays PLC, compared with a five-year average of 6.7%.  Major U.S. stock indexes, by contrast, are trading at earnings multiples above their long-term averages, and safe government-bond yields are trading in many cases near record-low levels that limit their appeal for income-seeking investors.  Despite their rough start in January, U.S. high-yield bonds are up 8.3% this year, including price gains and interest payments, according to Barclays data,… | The Wall Street Journal | 06/20/2016 | Sam Goldfarb |
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| Impact on Longer Paper | The last time that the Federal Reserve raised interest rates was on 12/16/2015. In the 1st month following the 12/16/2015 Fed hike to short-term rates, the yield on the 10-year Treasury note dropped from 2.30% to 2.04%. In the 6 months following the 12/16/2015 Fed hike to Short-term rates (to Thursday 06/16/2016), the yield on the 10-year note dropped from 2.30% to 1.58%. | Direxion Investments | 06/20/2016 | BTN Research |
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| Inflation May Be the Fed’s Friend | The Federal Reserve has an ammunition problem. Inflation may be the only way to solve it.  Participants in the Fed’s meeting last week not only cut their target-rate projections through 2018, they also lowered estimates for where they think rates will be beyond that. Their median “longer-run” projection for rates now centers on 3%, well below the 4.25% offered up in 2012, ….  So the Fed’s 3% rate projection is tantamount to an expectation that whenever the next recession comes, the Fed won’t be able to resuscitate the economy with rate cuts along.  Instead, the central bank will have to again resort to tools like quantitative easing,… | The Wall Street Journal | 06/21/2016 | Justin Lahart |
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| Relief Rally Lifts Stocks and Oil  *Dow industrials gain 129.71 as bets rise that U.K. would stay in EU; crude jumps 2.9%* | U.S. stocks made up much of the ground lost in last week’s fall as investors bet that the U.K. would vote to stay in the European Union.  Traders and analysts said relief propelled a gain in riskier assets and declines in government bonds, gold and other havens after polls and betting markets showed momentum for the “Remain” camp.  The Dow Jones Industrial Average climbed 129.71 points, or 0.7% to 17804.87.  The Stoxx Europe 600 jumped 3.6%, its largest gain since August. | The Wall Street Journal | 06/21/2016 | Aaron Kuriloff and Riva Gold |
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| Markets Rise on U.K. Polls  *Jumpy investors shift their bets as opinion surveys tilt slightly to Britain staying in EU* | Stock markets around the world and the British pound rose sharply after polls tilted toward a U.K. vote to remain in the European Union, swings that portend further volatility in the days ahead. | The Wall Street Journal | 06/21/2016 | Riva Gold and Mike Bird |
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| Stocks Climb AS U.K. Polls Steer Moves  *Investors shrug off Yellen’s Senate testimony; energy shares rise 1.1%, leading S&P 500 gains* | Markets have moved in tandem with polls around Britain’s referendum, which have triggered steep movements in equities, bonds and currencies around the world. In the past week, stock markets have fallen sharply when polls tilted toward an exit vote, and rebounded just as quickly when they veered toward “remain”.  The Dow Jones Industrial Average rose 24.86 points, or 0.1%, to 17829.73,…  Recent polls have been mixed, but betting markets have increasingly pointed to a victory for “remain”, lifting stocks in Europe. | The Wall Street Journal | 06/22/2016 | Akane Otani and Riva Gold |
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| SEC Probes Notes Issued By Merrill  *The securities fell as much as 95% in value* | The Securities and Exchange Commission is preparing a civil enforcement case against Merrill Lynch over an investment that fell as much as 95% in value and was marketed in a way that one of the firm’s financial advisers called “borderline crooked”, people close to the probe said.  The expected case against the brokerage arm of Bank of America Corp. underscores some of the risks of so-called structured notes, securities custom-built by banks out of options and other derivatives and often sold to retail investors.  Linked to a Merrill Lunch index tracking the volatility of the S&P 500 stock index, the five-year notes lost value rapidly after they were issued, as market volatility fell and the cost of buying the options upon which the notes were based rose sharply. | The Wall Street Journal | 06/22/2016 | Jean Eaglesham |
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| In or Out, Vote Will Alter EU | If the U.K. decides in Thursday’s referendum to leave the European Union, it would shake the continent to its political foundations. Even if it stays, the bloc may never be the same.  A decision to leave, which would be a first by a member nation, would deepen the crisis facing a continent already struggling with economic weakness, debt problems, large-scale migration and growing geopolitical instability to its south and east.  As a minimum, politicians and officials say, a British exit would transform the bloc’s balance of power. A U.K. exit also could disrupt financial markets and fire up anti-EU forces in other countries. | The Wall Street Journal | 06/22/2016 | Laurence Norman and Stephen Fidler |
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| Fed Chief Minimizes Chance of Recession | Federal Reserve Chairwoman Janet Yellen said the chances of recession this year are “quite low” despite mounting worries that the U.S. could be heading toward a downturn after seven years of tepid economic expansion.  “My expectation is that the U.S. economy will continue to grow”.  Output growth, hiring, business investment and corporate profits have stumbled or slowed in recent months, leaving the Fed unsure when it will raise short-term interest rates again.  Fed officials next meet July 26-27. | The Wall Street Journal | 06/22/2016 | Laurence Norman and Stephen Fidler |
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| The Business Case for Brexit | The EU is a supranational government run in a fundamentally undemocratic, indeed antidemocratic, way. It has four presidents, none of them elected.  Britain – the most outward-facing of the major European economies – will thrive it if leaves. Europe’s GDP has only just staggered back up to where it was before the 2008 financial crisis.  This is because the EU’s obsession with harmonization (of currency and rules) frustrates innovation.  …the Leave campaigners, led by Boris Johnson, the former mayor of London, and Michael Gove, the justice secretary, talk of Britain’s escaping a regional backwater and getting into the global mainstream, while remaining an ally and friend of Europe. I shall be voting Leave. | The Wall Street Journal | 06/22/2016 | Matt Ridley  *Mr. Ridley is a columnist for the Times (U.K.) and a member of the House of Lords* |
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| The $50 Billion Commodities Bear | Being a bear can be lonely. That isn’t Shawn Driscoll’s problem.  The Natural-resources fund manager at T. Rowe Price believes we are in a 10- to 15-year bear market in energy and commodities. He has positioned his own $5.2 billion in assets largely against a rise in prices. So far that has worked out well.  The Basis for Mr. Driscoll’s bearishness is rising productivity in commodities production, which reduces costs and pushes producers to drill more. Couple that with fast turn-arounds in shale drilling, new near-shore projects in places like Norway and rising production in Iran and other countries, and supply will stay strong for years.  Today’s near-$50 price already is enticing companies to start drilling again,… | The Wall Street Journal | 06/23/2016 | Ken Brown |
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| What’s News | ♦ Existing-home sales rose to their highest level in over nine years in May and median prices set a record. | The Wall Street Journal | 06/23/2016 |  |
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| Stock Market Sends an Inflation Signal | Expectations embedded in Treasury inflation-protected securities suggest inflation will average just 1.5% over the next 10 years, versus a forecast of 1.62% at the end of the first quarter.  The stock market tells a different story. The big gainers of the quarter were energy and basic materials, two sectors that benefit from rising prices. Investors are saying energy stocks, up 12%, and basic materials, up 7%, will be able to hold on to their price increases. In contrast, the dividend-paying utilities and telecommunications sectors, which can be proxies for fixed income, have basically treaded water this quarter.  The less exuberant bond market often predicts the future better than stocks. When the bond market was showing worries in the middle of 2007, stocks remained blithely unaware of the crisis that was brewing.  But the case for a meaningful pickup in inflation is growing. Besides rising commodity prices, a weaker dollar will take a lid off inflation.  A rising inflation environment could create challenges for stocks, too, but they probably would be in a much better plan than bonds. | The Wall Street Journal | 06/24/2016 | Justin Lahart |
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| Dow Industrials Jump 230 Points  *Blue chips’ gain is the biggest since March 1; European stocks, pound also advance* | Investors shook off fears that the U.K. would vote to leave the European Union, sending the Dow Jones Industrial Average to its biggest gain since March.  Financial markets have followed Thursday’s referendum closely. Risk assets such as stocks and oil have typically gained when polls suggested Britain would stay in the EU…  While recent surveys indicated the voting was close, betting markets had been more confident the outcome will keep the U.K. in the bloc.  The Dow industrials rose 230.24 points, or 1.3%, to 18011.07 for its biggest jump since March 1. The S&P 500 gained 27.87, or 1.3%, to 2113.32, and the Nasdaq Composite advanced 76.72, or 1.6%, to 4910.04 – their biggest gains since May 24.  Financial stocks in the S&P 500, the worst-performing sector this year, added 2.1% for their biggest gain since April.  European stocks surged. The Stoxx Europe 600 climbed 1.5%, London’s FTSE 100 gained 1.2% and Germany’s DAX rose 1.8%. It was the fifth consecutive session of gains for all three indexes.  U.S. crude oil rose 2% to $50.11 a barrel. Gold, which analysts have said has been used a hedge against a U.K. exit, dropped 0.5% to $1,261.20 an ounce. | The Wall Street Journal | 06/24/2016 | Akane Otani and Riva Gold |
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| What’s News | ♦ The Dow rose 230.24 points to 18011.07 as investors shook off fears about the U.K.’s “Brexit” vote. | The Wall Street Journal | 06/24/2016 |  |
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| What’s News | ♦ The U.K.’s referendum on whether to leave the EU produced a volatile night of vote counting, with early results suggesting an all-night nail-biter was in progress | The Wall Street Journal | 06/24/2016 |  |
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| Market Roundup | Dow Jones Industrial Average  ▼1.6% week; ▼2.5% month; ▼0.7% 3 months  S&P 500  ▼1.6% week; ▼2.5% month; ▲0.1% 3 months  Nasdaq (Composite Index)  ▼1.9% week; ▼3.8% month; ▼1.4% 3 months  Wilshire 5000  ▼1.5% week; ▼2.4% month; ▲0.9% 3 months  Gold (Ounce, Comex)  ▲2.1% week; ▲7.9% month; ▲8.1% 3 months  Oil (Light Sweet Crude)  ▼0.7% week; ▼3.9% month; ▲20.7% 3 months | USA Today | 06/25/2016 |  |
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| **Global Shocks After Upheaval in Britain**  *Investors Gripped by a Panic Last Seen in ‘08* | First came the shock. Then fear seized world markets. As frenzied selling accelerated in Tokyo, Hong Kong and London, unfathomable amounts or wealth vanished in a matter of hours.  In crudest outlines, the panic that followed Britain’s vote to quit the European Union traced the 2008 collapse of Lehman Brothers, an event that turned an unfolding financial crisis into the bleakest economic downturn since the Great Depression. The similarities hung uneasily over markets of Friday, presenting a grim question: How ugly might things get?  As economists pored over the rout like accident investigators dispatched to the scene of a crash, most offered assurances that a Lehman-style financial panic was not unfolding. In that debacle, investors indiscriminately fled all assets connected to the disastrous American housing bubble. Mortgages had been carved into exotic investments and peddled around the globe, meaning they lurked everywhere. Distrust spread like a virus.  Fears that drawn-out negotiations could disrupt trade prompted investors to push their money toward safety. As night fell in London, the British pound was down more than 7 percent. Stock markets plummeted around the globe; the Standard & Poor’s 500-stock index closed down 3.6 percent in New York. London closed down a similar margin, and Tokyo surrendered more than 4 percent. | The New York Times | 06/25/2016 | Peter S. Goodman |
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| **Global Shocks After Upheaval in Britain**  *Cameron to Quit as E.U. Aims for Rebirth* | Britain’s startling decision to pull out of the European Union set off a cascade of aftershocks on Friday….  The decisive win by the “Leave” campaign exposed deep divides: young versus old, urban versus rural, Scotland versus England.  The result of the so-called Brexit vote presented another stiff challenge to the leaders of the other leading European powers as they confront spreading populist anger. It was seized on by far-right and anti-Brussels parties across Europe,….  European officials met in Brussels to begin discussing a response and to emphasize their commitment to strengthening and improving the bloc, which will have 27 members after Britain’s departure.  Germany urged calm. “Today marks a turning point for Europe”, Chancellor Angela Merkel said. “It is a turning point for the European unification process.” | The New York Times | 06/25/2016 | Steven Erlanger |
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| Britain’s Choice  *Upheaval Sends a Nation With a Storied History Into Uncharted Territory* | Asked to vote in or out, Britain has chosen decisively to cast off its 43-year-old membership in the European Union, leaving it to face a more complex question: What kind of nation will it be now?  Will Britain be the outward-looking, entrepreneurial, confident country that makes its independent way in the world, as the leader of the “Leave” campaign insisted it could be?  Or will it retreat to become a Little England, nationalist and a touch xenophobic, responding to the voters that drove it to quit the European Union?  Even more important: Will it even hold together? With Scotland deeply pro-Europe, pressure will increase for another independence referendum that could bring an end to the United Kingdom.  And if the British Treasury, the Bank of England, the International Monetary Fund and the Institute for Fiscal Studies are to be believed, the British economy is in for a severe shock. The Treasury estimates that the British gross domestic product, representing the size of the economy, will fall by 3.5 percent… | The New York Times International | 06/25/2016 | Steven Erlanger |
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| British Youth Looking Into the Abyss of EU-less Future  *Younger generations had most to gain by staying in Europe* | For all the societal fault lines the Disunited Kingdom revealed in the harsh morning after – North versus South, English versus Scot, urban versus rural, moneyed versus not – none gaped more cruelly than the gobsmacked anguish of the youth.  To be millennial or younger in the U.K. today is to be staring at an unwanted, world-shrinking Brexit delivered by their addled grandparents. Close to three-quarters of the very people who will live longest with the consequences of Britain’s coming divorce from Europe wanted absolutely nothing to do with it.  “The younger generation has lost the right to live and work in 27 other countries”, wrote Nicholas, later identified by Buzzfeed as Nicholas Barrett. | Saturday Star | 06/25/2016 | Mitch Potter |
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| Points of Departure  *Sketching What the Future Holds for Europe and the Global Economy* | **In the Short Run…**  If you run a British company that exports a lot to Europe, or manage a European bank with thousands of employees in London, nothing much changed with the results Thursday.  Britain is a member of the European Union today, and will be one tomorrow. Your products can still be shipped to Düsseldorf without any hint of a tariff. Your employees can work legally whether their passport is from Sweden or Spain.  The immediate effects of “Brexit” will flow almost entirely through financial markets. Markets may be flawed, but they really to amount to a real-time verdict by millions of people with vast sums of money at stake on what something will be worth over the indefinite future. Economic shifts happen slowly; financial shifts happen overnight (literally, in this case).  The truth is that the stock market declines that took place worldwide Friday are nothing to be too concerned about. The British stock market, as measured by the FTSE 100 index, was down 3.2 percent Friday in Britain, above its levels of mid-June. That suggests that investors do not envision the Brexit hit to hammer corporate profits in the near future.  But what is happening in the bond and currency markets suggests bigger problems. The 7.6 percent drop in the British pound against the dollar is indeed a seismic move…  Combined with a rally in British government bonds (and consequently lower interest rates), the currency shift will mean a burst of inflation for British consumers as imported goods become sharply more expensive.  **In the Long Run…**  Things like business confidence, market swings and central bank responses shape the economy in the short and medium run, but over time bigger forces prevail.  Britain will get through the immediate financial turbulence and a possible recession just fine. The question for its future is which of two options British leaders now choose. They can maintain the status quo and remain a major international business center (while ignoring the impulse that led voters to choose “leave” in the first place). Or they can become a smaller, more isolated island that is a less important cog in the global economy – but at least one that honors its voters’ wishes. | The New York Times | 06/25/2016 | Neil Irwin |
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| Confused by “Brexit”? Here are the Basics | Britain voted on Thursday to leave the European Union…  **What Happened?**  The stunning vote, 52 percent to 48 percent, plunged world financial markets into turmoil, the political consequences for the prime minister of Britain were swift, and people around the globe reacted with shock and confusion.  **Why did this occur?**  Fear of being overrun by immigrants was a driving concern for “Leave” voters. But globalization concerns and a desire to wrest Britain from under Brussels’ thumb were also key factors.  **The immediate fallout**  **■** Prime Minister Cameron, who led the “Remain” campaign, announced on Friday that he would step down.  ■ Global markets plunged. The British pound plummeted to its lowest level since 1985. Investors fled to the American dollar and the yen.  **Is it a done deal?**  ■ The referendum is not legally binding, though it is difficult to imagine that the British government would ignore the will of the voters.  **The broader impact**  ■ Britain would leave the world’s largest common markets, with 508 million residents, including 65 million Britons. That would free them from the bloc’s commitment to the free movement of labor, capital, goods and services. But it  would also bring complications.  ■ Britain, which has the bloc’s second-largest economy after Germany, would have to come up with new trading agreements. Almost half its exports are sold on Europe’s common market.  ■ London’s role as a financial center could be imperiled, particularly if the trade in euro-denominated securities moves to rival cities like Paris and Frankfurt.  ■ Scotland and Northern Ireland could go their own way. Both voted overwhelmingly to stay in the European Union. | The New York Times International | 06/25/2016 | Niraj Chokshi, Daniel Victor and Sewell Chan. |
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| What’s News | ♦ EU politicians offered assurances that the bloc wouldn’t disintegrate and pressured the U.K. to start negotiations soon on terms of its exit. | The Wall Street Journal | 06/25-26/2016 |  |
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| What’s News | ♦ The shock from the U.K.’s vote to leave the EU swept across markets, punishing stocks, the British pound and emerging-market currencies. The Dow dropped 610.32 points to 17400.75 in its biggest decline since August. | The Wall Street Journal | 06/25-26/2016 |  |
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| What’s News | ♦ Bank Stocks were hit by concerns about potential trading losses, slowing growth and low interest rates. | The Wall Street Journal | 06/25-26/2016 |  |
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| Britain Fires a Shot Heard Round the World | The implications of Britain’s vote to leave the European Union will reverberate through the Continent’s politics and economy for years. But it may have an even more immediate global political significance with resonance here in the U.S. as the most powerful demonstration yet of a rising populist tide transforming the established order across the West. | The Wall Street Journal | 06/25-26/2016 | Gerard Baker |
| Intraday performance on Thursday and Friday | Dollar/Pound: Low: $1.32 – 2 Day Change -7.61%  DJ Stoxx 600 Banks: Low 128.16; 2 Day Change -12.4%  DJIA: Low 17363.79; 2 Day Change -2.49% | The Wall Street Journal | 06/25-26/2016 | Sources: FactSet; SIX Financial (DJIA) |
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| Scramble to Judge Business Impact | Corporate executives scrambled to assess the fallout from the U.K. decision, with some CEO’s saying the move would put a chill on investment and deal-making and others vowing to stay the course.  Shocked by a surprise result at the polls that sent U.S. stocks tumbling and the British pound to a 30-year low against the dollar, companies rushed to reassure investors, customers and employees.  At the same time, they called on British and European politicians to push through the mechanics of the split quickly to minimize economic distruption. | The Wall Street Journal | 06/25-26/2016 | A Wall Street Journal Roundup |
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| Britain’s EU Decision | “This is not a good day for Europe – and in my view, certainly not for the U.K.” | The Wall Street Journal | 06/25-26/2016 | Dieter Zetsche, Chief Executive of Daimler AG |
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| The More It Hurts, the More You Usually Make | The Vanguard FTSE Europe ETF, which tracks a broad index of European stocks, toppled 11.3% on Friday on the shock of the British vote to exit the European Union. That was the worst one-day return in the fund’s history, according to FactSet, surpassing even the 11% horror show of Oct. 15, 2008.  “Certainly we’re entering a period of heightened volatility, and that will persist for a while”, says Andrew Ang, a managing director at Black-Rock, the world’s largest asset manager.  “One thing we have learned is that you don’t rush in all at once when things get cheap”, says David Herro, lead manager of the $25.5 billion Oak-mark International Fund.  “It takes a while for these things to get digested”, he added. | The Wall Street Journal | 06/25-26/2016 | Jason Zweig |
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| A Very British Revolution  *The vote to leave the EU began as a cry for liberty and ended as a rebuke to the establishment* | …52% of Britons voted to leave the EU. That slender majority was probably the biggest slap in the face ever delivered to the British establishment in the history of universal suffrage.  Mr. Cameron announced that he would resign…  Britain’s exit from the EU, or Brexit, was backed by barely a quarter of his government members and by not even a tenth of Labour politicians. It was a very British revolution. | The Wall Street Journal | 06/25-26/2016 | Fraser Nelson |
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| The Week After the ‘Brexit’ Vote | Aside from a surprise crack in markets, the next risk is how the exit takes place. European leaders are talking about the need to move relatively swiftly to reduce uncertainty, and delays by the U.K. could test their patience. Havens like Treasurys, the yen and the Swiss franc seem likely to remain in demand.  Until now, the Eurozone actually has weathered concerns about global growth relatively well. But economists are cutting forecasts for next year: Uni-Credit plans to lower its 2017 eurozone-growth number to 0.5% to 1% from 1.6% now. | The Wall Street Journal | 06/25-26/2016 | Richard Barley |
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| 7 reasons why some hate the EU | **1. Pay for bureaucrats:** …most European Union employees get paid generous wages with special, minimal taxes.  **2. Wasteful travel:** By Treaty, the European Parliament can only meet in full session in Strasbourg, France.  The cost of maintaining two parliamentary seats Is estimated to $200 million a year.  **3. Regulation overload:** In Britain, the famous “bendy banana” came to be a symbol of Brussels regulatory overreach, when Brussels set guidelines that bananas should be “free from malformation or abnormal curvature”.  **4. No accountability:** The big decisions in the EU get hammered out behind closed doors…  **5. Ignoring voters:** The EU has a long history of absorbing national ballot-box defeats, then moving onward to achieve roughly the same result…  **6. Costly translations:** …EU’s tendency to translate nearly everything it does into all 24 of its official languages…  The European Commission says it employs 1,750 linguists, 600 full-time interpreters and 3,000 freelancers.  **7. Big bureaucracy:** …it has one commission for international cooperation and development, another for trade, another for jobs, growth, investment and competitiveness, another for economic and financial affairs, and another for internal market, industry, entrepreneurship and small and medium businesses. | Daily Herald | 06/26/2016 | Michael Birnbaum |
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| What the Brexit vote means for you | **Will stocks fall further?**  The view now is that stocks are reacting sharply because professional investors never thought British voters would allow the country to leave the European Union.  When professionals foresee shocks to the stock market, they change the mix of their investments in advance so they are not hit hard. But in this instance, the pros didn’t see any risk coming, so they didn’t prepare.  Although the immediate shocks will ease, some analysts expect volatility – or a lot of ups and downs – for the rest of this year…  **What investments are risky now?**  With concerns about the slowing economy in Europe, so-called “cyclical stocks”, which do well when the economy is strong and slip when the economy weakens, could be the most affected. That would include energy, basic materials, industrial and technology stocks.  Stocks suffering some of the sharpest drops have been financial stocks because of all the financial arrangements between countries that could be disrupted by changes in global relationships as the European Union faces stress.  **What do investors buy for safety?**  Investors worldwide have been buying U.S. Treasury bonds and gold as safe havens. But gold has shot up $60 an ounce to $1,320 lately, making some analysts reluctant about expecting a further increase from here. | Chicago Tribune | 06/26/2016 | Gail MarksJarvis |
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| EU to Brits: Let’s call it quits quick | In Berlin, foreign ministers from the six original members of the EU spoke with one voice, effectively telling the British that now that they have decided to leave, there should be no delay to the exit door.  But technically, negotiations can’t even start until Britain triggers the bloc’s Article 50 – the never-before-used mechanism to leave it.  At the same time, deep intrigue swirled over the future of Scotland.  Scottish voters, unlike the English or Welsh, chose Thursday to remain in the EU – and Scotland’s Cabinet met in Edinburgh to consider its next steps.  Britain could undergo even further dismantling if the Nationalists in Northern Ireland, which also voted to remain in the EU, press ahead with their calls for a vote on Irish reunification.  …diplomats called for a start of exit talks “as soon as possible”.  Their fast meeting underscored the continental effort taking shape to prevent further disintegration of European unity in the wake of the British decision. | Chicago Tribune | 06/26/2016 | Anthony Faiola, Dan Balz and Griff Witte |
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| Will Brexit mark end of globalization age? | A U.K. departure is going to make the entire EU inward-looking and more defensive on globalization.  At the same time, forces that once propelled globalization – advanced technologies, reduction of barriers and the rise of China and other developing economies – have diminished. World trade and economic growth have also slowed in recent years.  With the Brexit vote, the EU, itself arguably the most ambitious post-World War II experiment in globalization, appears at risk of unraveling.  The pushback against globalization, meanwhile, raises a new question: What’s the alternative? | Chicago Tribune | 06/26/2016 | Don Lee |
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| What’s News | ♦Traders are betting that Britain’s decision to leave the EU will put more pressure on the Eurozone, and especially its weaker economies. | The Wall Street Journal | 06/27/2016 |  |
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| What’s News | ♦ Market turbulence could threaten China’s plan to stabilize the yuan. | The Wall Street Journal | 06/27/2016 |  |
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| U.S. Economy Looks Likely to Weather Overseas Storm | Once the initial market turmoil abates, the “Brexit” decision will become the latest in a long list of headwinds contributing to the American economy’s sluggish growth. The U.S. has powered through a number of overseas risks in the seven years since the recession ended, and economists expect it will weather this one, too, allowing domestic concerns to again take center state.  The dollar surged last week as investors fled the U.K. and Europe and poured into the relative safety of U.S. assets. Greenback strength will likely persist, especially given worries about the U.K. decision fueling further EU disintegration.  A sustained appreciation of the dollar curbs demand for U.S. exports by making products and services more expensive to sell abroad. At the same time, it makes imports cheaper for U.S. consumers, containing inflation and restraining wage growth.  It also undercuts global demand as borrowing costs rise for countries and firms that have dollar-denominated debt. And it pushes commodity prices down, weighing again on the U.S.’s energy and metals sector.  Goldman Sachs economists estimate every 10% increase in the dollar shaves nearly shaves 0.6 percentage point from U.S. economic growth.  Private nonresidential investment fell 6.2% in the first three months of the year from the previous quarter, and the vote could push it down further. | The Wall Street Journal | 06/27/2016 | Ian Talley and David Harrison |
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| Market Week | As if we need more to worry about, Friday saw the release of May’s durable-goods data, and it was…disappointing. Durable-goods orders fell 2.2%, far worse than the 0.5% decrease predicted by economists. Not including volatile airplane data, orders fell 0.3%, well below expectations of a 0.4% rise. That’s a sign that capital spending remains in a slump… | Barron’s | 06/27/2016 |  |
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| Brexit Sellofff Highlights Strength of U.S. Stocks | SPECIAL BREXIT REPORT: American companies generate about 70% of revenues at home. That could partially insulate them from Europe’s woes. U.S. banks, airline shares look invitingly cheap.  The 3%-plus drop Friday in major U.S. stock indexes in response to the surprise British vote to exit the European Union doesn’t mean the end of the long bull market dating back to 2009.  U.S. stocks remain more insulated from global developments than any other major equity market, as American companies generate 79% of revenues domestically. That compares with 58% for Japanese companies, and 49% for Europe, based on a recent Morgan Stanley report. U.S. corporate balance sheets are strong, interest rates are low, and the U.S. economy is on pace for a 2.5% expansion in the current quarter.  Stocks are appealing relative to bonds, particularly the Treasury market, where the 10-year note finished Friday with a 1.56% yield, near the low for the year. More than 60% of stocks in the Standard & Poor’s 500 index carry a dividend yield higher than the 10-year note, according to Bespoke Investment Group.  The Dow Jones industrials fell 610 points, or 3.4%, Friday, to 17,400, while the S&P 500 index was off 76 points, or 3.6%, to 2,037. While steep, those losses were mild relative to losses overseas. The Stoxx Europe 600 fell 7% in its largest one-day decline since the 2008 financial crisis.  For U.S. holders, the losses in European stocks were magnified by the dollar’s strength.  The bear case for global markets is that the British vote could lead to a disintegration of the EU, and signals a reversal of the decades-long trend of globalism and free trade. | Barron’s | 06/27/2016 | Andrew Bary |
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| Brexit Rattles Emerging World | Emerging market investors characteristically hit the sell button as they searched for safer territory after the United Kingdom’s Brexit vote.  There are reasons to think emerging markets now present an opportunity. The U.K. contributes just a small fraction of emerging market GDP and Friday’s selling was mostly a reversal of the rally that preceded the vote on this expectation that the U.K. would remain in the EU.  More generally, emerging markets seemed to be nearing a bottom prior to the vote.  Emerging market assets are high up on the list of risky investments, so they may continue to be disproportionately punished. Buying seems premature. | Barron’s | 06/27/2016 | Dimitra DeFotis |
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| Fed on Hold Until 2017 | Safe-harbor Treasuries soared as investors world-wide recoiled in shock that British citizens had voted to exit the European Union. The yield on the benchmark 10-year note (yields move inversely to prices) fell to a near-historic low of 1.42% in the wee hours of Friday morning, when the June 23 referendum’s outcome became clear.  High-quality municipal bonds also jumped in price, with the yield on triple-A-rated 10-year munis falling to 1.4%, the lowest in more than 50 years, says Jim Kochan, chief fixed-income strategist at Wells Fargo Funds.  Bond strategists quickly dialed back their expectations for future interest-rate hikes. Several strategists now expect the first rate hike in December, but others think the Fed may need to add stimulus (QE4 anyone?) if global macro conditions deteriorate.  “The fact that there is going to be further instability in Europe means Fed rate hikes may be off the table, not only for this year but also next year,” says Putri Pascualy, credit strategist for Paamco. “That is a very plausible scenario.” | Barron’s | 06/27/2016 | Amey Stone |
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| What’s News | ♦ Losses deepened in equity markets, wiping out $3 trillion from global stocks in two days. Bank shares were again hit hard. Investors bought haven assets, pushing down yields on government debt. | The Wall Street Journal | 06/28/2016 |  |
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| Currency Swings Hit Central Banks | Britain’s vote to leave the European Union has set off a fresh round of currency pressures in the world’s largest economies, further complicating efforts by central banks to spur growth.  The pound hit a three-decade low on Monday, and both Standard & Poor’s and Fitch Ratings cut their ratings on the U.K., saying that last week’s vote raises risks to the country’s economy.  Meanwhile, the Japanese yen, Swiss franc and U.S. dollar posted further gains, as market turmoil resumed after the weekend and sent investors in search of havens.  The currency moves, in particular, pose risks for businesses and in turn for economies that have posted lackluster performance.  The resurgent yen and franc are putting renewed pressure on companies in Japan and Switzerland. Meanwhile, U.S. companies that had benefited from a weakening dollar this year face a bout of currency-related stress as the second-quarter earnings season looms.  Stronger currencies tend to make a country’s exporters less competitive as the effective price of their goods goes up. | The Wall Street Journal | 06/28/2016 | Chelsey Dulaney and Corrie Driebusch |
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| Markets Break a Two-Day Selloff  *Stocks rebound from steep losses; pound climbs but remains near three-decade low* | Stocks rose around the globe, led by the sectors that recently have been beaten down the most, such as banks. Demand for havens eased after two sessions of heady gains. The dollar pared its rise against the British pound. The price of oil, which has posted its biggest two-day percentage decline since February, recovered slightly.  The CBOE Volatility Index, or VIX, which measures investors’ expectations for stock swings in the coming weeks, fell for the second consecutive day. | The Wall Street Journal | 06/29/2016 | Christopher Whittall and Corrie Driebusch |
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| What’s News | ♦ Stocks rose world-wide after tumbling on the U.K.’s vote and demand for havens eased. The Dow climbed 269.48 points to 17409.72. | The Wall Street Journal | 06/29/2016 |  |
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| The 96% Gainer: Government Bonds | A corner of the market once sought after for steady returns has been this year’s jackpot investment: the government debt of advanced economies.  Prices of Japanese, German, U.K. and other sovereign bonds have been surging for most of the year as interest rates turned negative and global economic uncertainty pushed investors to buy haven assets.  For an investor in sterling, Japanese 40-year government bonds soared in price by 24.4% in the three trading days after Britain’s referendum vote, giving these securities a gain of 95.8% since the beginning of this year. | The Wall Street Journal | 06/30/2016 | Mike Bird and Christopher Whittall |
|  |  |  |  |  |
| Stocks Rebound, but Jitters Linger | Two of the best days for stocks this year began to undo two of the worst, putting major U.S. indexes back into the black for 2016.  But still strong demand for the safety of government bonds and currencies like the yen shows that markets are far from sounding the all-clear.  The Dow Jones Industrial Average advanced 284.96 points, or 1.6%, Wednesday to 17694.68, and the S&P 500 index rose 34.68 points, or 1.7%, to 2070.77.  Gains continued overseas early Thursday…  The Dow has rallied 3.2% over the past two sessions, its biggest such gain since February, while the Stoxx Europe 600 also notched its biggest two-day gain since February.  London’s FTSE 100 index, whose multinational firms benefit from a weaker pound, has recovered all of its declines. | The Wall Street Journal | 06/30/2016 | Akane Otani, Aaron Kuriloff and Corrie Driebusch |
|  |  |  |  |  |
| What’s News | ♦ U.S. stocks rallied to end the first half. The Dow climbed 235.31 to 17929.99, up 2.9% for the year. | The Wall Street Journal | 06/30/2016 |  |
|  |  |  |  |  |
|  | **DJIA** 17929.99 ▲ 235.31; 1.3%  **NASDAQ** 4842.67 ▲ 1.3%  **STOXX** **600** 329.88 ▲ 1.0%  **10-Yr. Treas.** ▼ 5/32, yield 1.492%  **Oil** $48.33 ▼ $1.55 |  |  |  |

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