



# OUTLOOK

August 2015

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## DEAR LIZA, THERE'S A HOLE IN MY BUCKET.

I grew up with this common childhood song. Poor Henry had a bucket that won't hold water. Liza offered a series of suggestions to repair it that required water which Henry couldn't get due to the hole in his bucket. A frustrating deadlock.

Other than being an easy tune to follow for even tone deaf children like me, I always thought it strange to sing a song that highlighted a problem to which there was no solution. "What's the point of this song?" I would ask myself. "Why do we keep singing about things that aren't going to work?" In spite of my youthful irritation, it's still one of the only songs I can sing in a recognizable fashion. So, don't invite me to karaoke night.

Henry's bucket isn't the only thing that's not holding water lately:

Asset	Tot Ret 3 Mo	Index	Type	Date
Gold	-7.64	DJ Cmmnty Gold TR USD	Index	7/31/2015
Foreign Stocks	-1.32	MSCI EAFE NR USD	Index	7/31/2015
US Stocks	-0.88	NYSE Composite TR USD	Index	7/31/2015
US Bonds	-0.64	Barclays US Agg Bond TR USD	Index	7/31/2015
Inflation	0.69	IASBBI US Inflation	Index	7/31/2015

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### A History of Declines (1900-December 2014)

Type of Decline	Average Frequency <sup>1</sup>	Average Length <sup>2</sup>	Last Occurrence	Previous Occurrence
-5% or more	About 3 times a year	46 days	December 2014	October 2014
-10% or more	About once a year	115 days	October 2011	July 2010
-15% or more	About once every 2 years	216 days	October 2011	March 2009
-20% or more	About once every 3½ years	338 days	March 2009	October 2002

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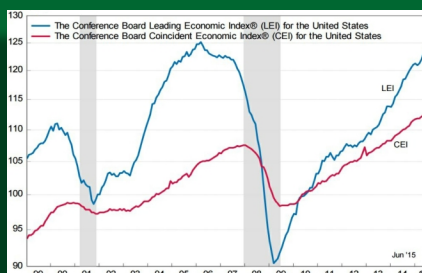
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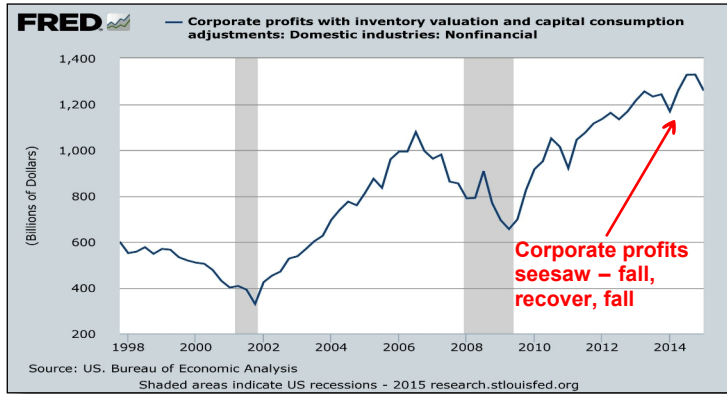
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## THE LEADING ECONOMIC INDICATOR

The Conference Board Leading Economic Index® (LEI) (blue line on graph) is designed to signal peaks and troughs in the business cycle. The index is a composite average of several individual leading indicators. It is constructed to summarize and reveal common turning point patterns in economic data in a clearer and more convincing manner than any individual component because it smooths out some of the volatility of individual components. The index has remained on a steady growth path since 2009.

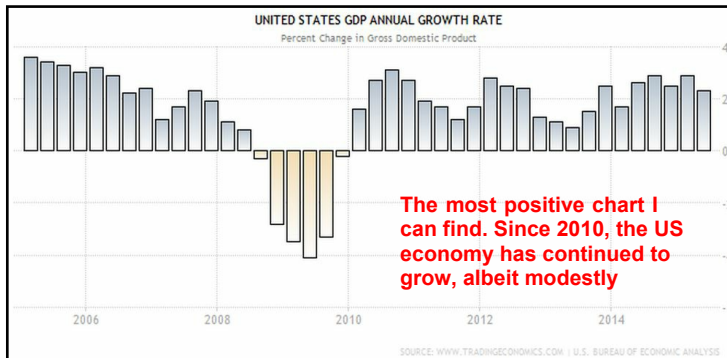
## ECONOMIC TRENDS



Corporate profits fell at the beginning of 2014, recovered, and are now falling again which is consistent with a “leaky bucket”.



The labor participation rate for ages 25 to 54 may finally be finding a bottom...at least it's going sideways.



## MARKET TRENDS

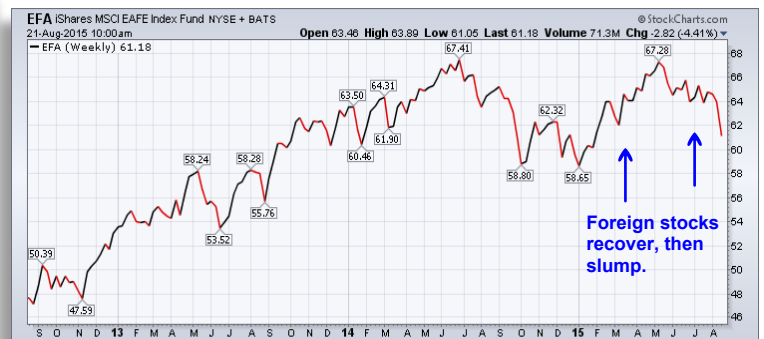
The 20-Year U.S. Treasury Yield is falling again. We've seen a low of 2%, a high of almost 3% and now back down to 2.5%. The recent drop casts significant doubt on a trend of rising rates.



The NYSE Composite stock index essentially shows no growth for 2 years now. Some ups and downs, but mostly sideways.



Foreign stocks staged a nice recovery during the first half of 2015 and are now encountering their own troubles.



## MORE DISCLOSURES: BECAUSE THEY MAKE THE WORLD A BETTER PLACE

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