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AIER American Institute for Economic Research

BUSINESS CONDITIONS MONTHLY

October 2015 Vol. 2 Issue 10

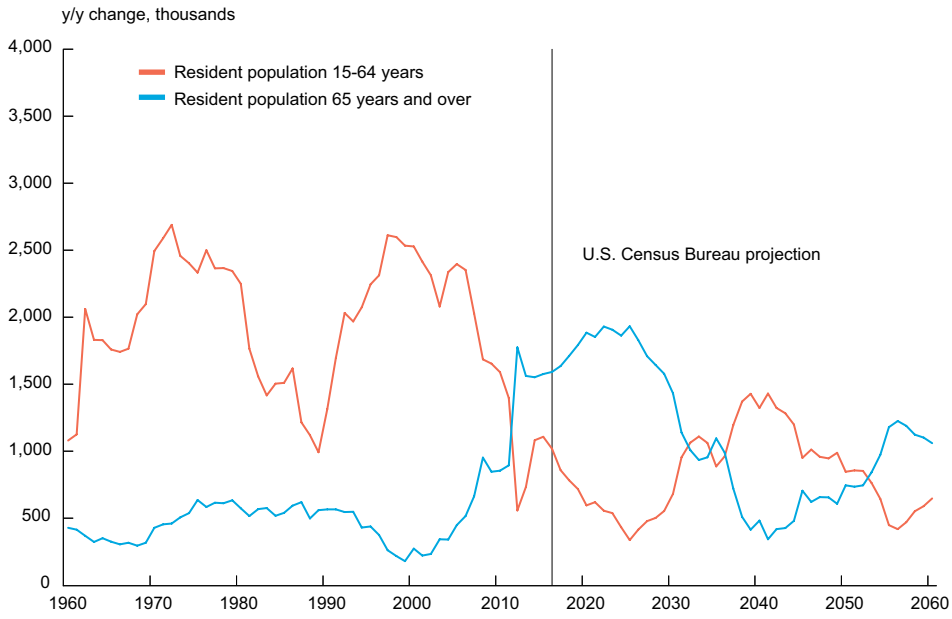
Boomers may brake economic growth as they head into retirement

Demographic changes are usually viewed as long-term trends that do not affect short-term business-cycles. But "long term" does not mean "far off." Demographic trends underway since World War II may be partly responsible for the current economy's lackluster growth.

The surge in births that began in 1946 and continued for the next 20 years altered American cultural, social, and economic patterns for decades. Now with the baby boomers starting to retire, their impact promises to be felt for years to come.

For the first time in modern history, the U.S. faces a period in which the number of people reaching the traditional retirement age (65) will far exceed the number of those entering the working age population (Chart 1). In this report, we focus on some effects of this ongoing trend, including its potential impact on the housing market.

Chart 1. People reaching retirement age are expected to outnumber those entering the working age population for the next 15 years.



Source: U.S. Census Bureau (Haver Analytics).

Inside this issue

Demographic trends may dampen demand for single-family homes

Owning a home has been held up as a key part of the American dream. From 1994 through 2005, home ownership in the U.S. rose from just under 64 percent to over 69 percent, a huge jump for a country of over 300 million people. However, during the great housing boom, many homeowners became overextended and home prices rose too quickly. The subsequent housing bust devastated many individual balance sheets and wreaked havoc on the financial system.

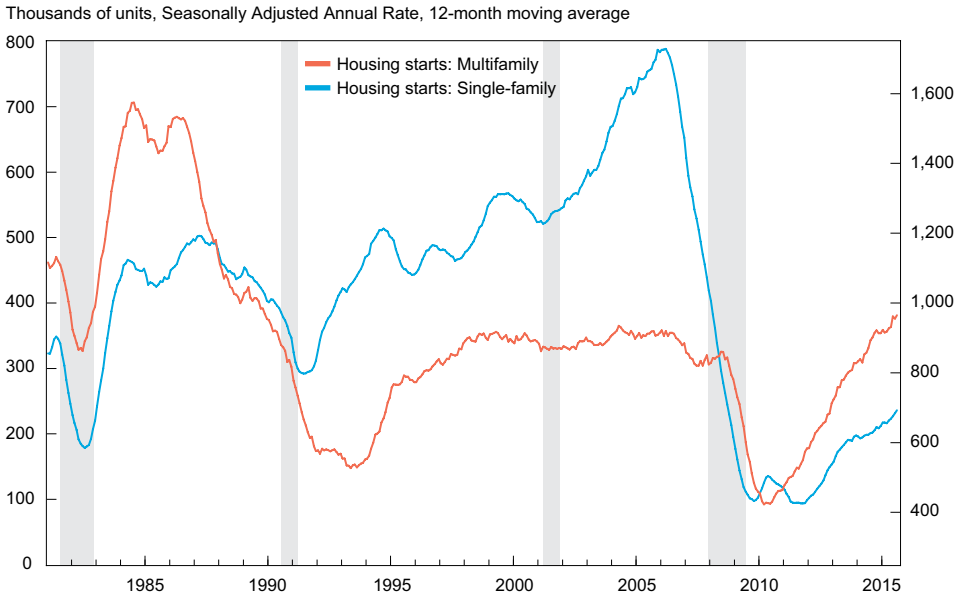
As a result, the goal of owning a home has receded. Home ownership rates have fallen to below 64 percent. A weak economic recovery with slow job growth and anemic wage gains contributed to the decline, along with slowly declining unemployment and tougher lending standards. For younger Americans, the appeal of home ownership has weakened.

Meanwhile, in 2011 the leading edge of the baby-boom generation began turning 65. For both the under-35 and the over-65 crowds, home ownership rates have declined substantially. For the over-65s, the proportion that owns a home fell to 78.5 percent in the second quarter of 2015 from 81.5 percent in 2012. For under-35s, just 34.8 percent owned a home this year, down from 43.6 percent in 2004.

These shifts are likely one of the main drivers for the relative weakness in new home construction. Since the end of the Great Recession, the multifamily housing market—particularly apartment buildings—has recovered more robustly than the single-family home market. While construction starts of new single-family homes have barely reached early 1980 levels, new multifamily housing starts are above the levels that prevailed throughout the housing boom (Chart 2).

With many years of boomers turning 65 still ahead and potentially selling their homes, there's a reasonable likelihood that the single-family home prices nationwide will be restrained for some time. The critical element may be the extent to which younger generations pursue their parents' dream of home ownership.

Chart 2. Multifamily homebuilding has recovered more swiftly than single-family housing starts.



Notes: Shaded areas denote recessions.
Sources: U.S. Census Bureau (Haver Analytics).

ECONOMIC OUTLOOK

The proportion of AIER's Business-Cycle Conditions (https://www.aier.org/BCM) leading indicators deemed to be expanding was 67 percent in September, up slightly from 64 in August. This marks the fifth consecutive month with the index in the mid-60s range and follows three months at the neutral 50 percent level. Each month AIER calculates the percentage of its Twelve Primary Leading Indicators that are judged to be cyclically expanding. A reading above 50 indicates that continued expansion is likely.

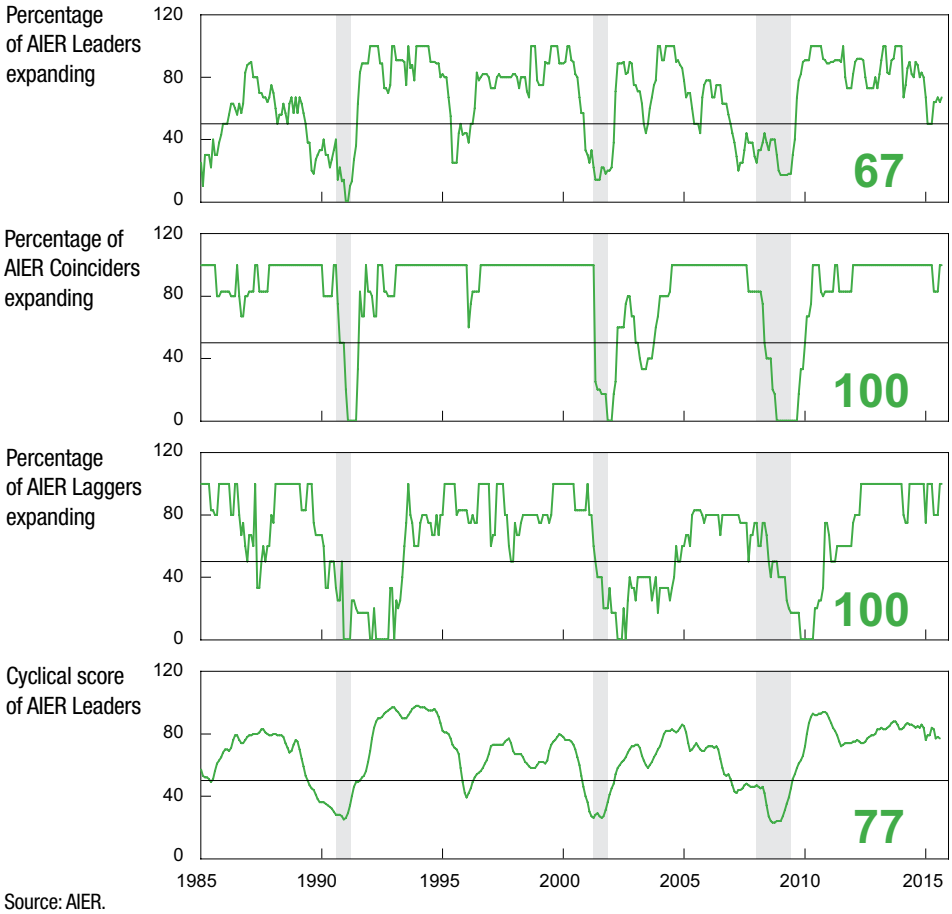
In our latest evaluation two thirds of our leading indicators were trending higher, marking the 73rd consecutive month at or above 50 percent. Consistent readings above the midpoint suggest a low probability of recession over the next six to 12 months. Before we draw conclusions we look for confirmation from our cyclical score of Leaders. For September that score was 77, little changed from the previous reading of 78. We conclude that the probability of a recession occurring in the next six to 12 months remains low.

The percentage of coincident indicators appraised as expanding remained at 100 in September. Four out of six coincident indicators were trending upward, while the remaining two are indeterminate. With the return to a 100 percent score after an interruption of only three months, we have further evidence that the business-cycle expansion is continuing. Among our six coincident indicators, three hit new cycle highs.

The proportion of lagging indicators judged to be expanding also remained at a perfect 100 reading in September. Two of the six indicators reached new cycle highs, while two were indeterminate. Overall, the percentage expanding and the cyclical score for our leading indicators suggest an expanding economy and low probability of recession (Chart 3).

Chart 3. Indicators at a glance

Shaded areas denote recessions.
A score above 50 indicates expansion.



Source: AIER.

SCORECARD

Continuing last month's trend, the AIER Inflationary Pressures Scorecard in September points to easing pressure on inflation. Of the 23 indicators tracked in the scorecard, eight support rising inflationary pressure, down from 12 last month. Nine indicators point to falling pressure and six indicate no change (Table 1).

Retail sales, an important indicator of consumer demand, slowed in the most recent three months. Meanwhile, supply, reflected by industrial production, grew at a much faster pace. Lower demand and greater supply together put downward pressure on inflation.

Key short-term interest rates stayed unchanged at near zero. This is likely to boost borrowing with the expectation of an increase in the near future. Both the money supply and consumer credit growth advanced in recent months, indicating rising inflationary pressure.

A big decline in energy prices drove down production costs, and this will put downward pressure on consumer prices for the months ahead. Import prices stabilized, even with a strong U.S. dollar. Wages and productivity remained on the path toward pushing prices down.

Table 1. Inflationary pressure continues to fall.

	3-MTH. AVERAGE CHANGE Previous	Latest	INFLATION PRESSURE
DEMAND AND SUPPLY			
Demand			
Average hourly earnings (Aug.)	2.8%	2.3%	Falling
Nonfarm payrolls, total mil.	141.4	142.1	Rising
Personal income (Aug.)	3.4%	4.9%	Rising
Retail sales (Aug.)	11.6%	3.5%	Falling
Supply			
Ind. prod. - consumer goods (Aug.)	-2.3%	4.7%	Falling
Manufacturing utilization (Aug.)	75.9%	75.9%	Stable
Retail inventory/sales ratio (July)	1.46	1.46	Stable
MONEY, BANKING, AND CREDIT			
Fed funds rate (Sept.)	0.13%	0.13%	Stable
Interest on excess reserves (Aug.)	0.25%	0.25%	Stable
Money supply (M2) (Aug.)	3.8%	6.9%	Rising
Money velocity (July)	-0.8%	-1.1%	Falling
Revolving consumer credit (July)	5.5%	6.5%	Rising
COSTS AND PRODUCTIVITY			
Producer Price Index (Aug. 2015)			
Final demand	1.1%	2.2%	Rising
- Food	-4.0%	3.4%	Rising
- Energy	19.1%	-5.7%	Falling
- Goods less food and energy	0.4%	0.7%	Rising
- Services	0.0%	4.1%	Rising
Import Price Index (Aug. 2015)			
Autos	-0.7%	-0.7%	Stable
Consumer goods ex. autos	-1.5%	-1.5%	Stable
Commodity prices (Aug. 2015)			
S&P GSCI Commodity Index	18.1%	-43.4%	Falling
Wages and productivity			
Private compensation (Q2–2015)	3.0%	0.0%	Falling
Nonfarm business productivity (Q2–2015)	-1.1%	3.3%	Falling
Nonfarm business unit labor costs (Q2–2015)	2.6%	-1.4%	Falling

Sources: Bureau of Economic Analysis, Bureau of Labor Statistics, U.S. Census Bureau, Federal Reserve Board, Standard & Poor's, AIER (Haver Analytics).

AIER INFLATIONARY PRESSURES SCORECARD

We track 23 indicators and evaluate their performance over the past three months compared with the prior three months. That is, we compute moving averages of the monthly changes for two consecutive, non-overlapping three-month periods. Finally, we evaluate the inflationary pressure of each indicator through the framework of supply, demand, money/credit, and costs and productivity, and show whether the monthly change points to rising or falling inflationary pressure or stability.

CONSUMER PRICE INDEX ANALYSIS

The CPI fell 0.1 percent in August from July, the first monthly decline since February 2015. The decline stemmed mainly from a 2 percent drop in energy prices. The energy price slide continues a trend—prices fell an annualized 1 percent from three months earlier and were down 15 percent from a year ago (Table 2).

Food, another volatile component of the CPI, advanced 0.2 percent from last month. Food prices were among the fastest growing items in the CPI, short term and longer range. Households paid 2.8 percent more for food compared with three months earlier and 1.6 percent more than a year ago. Households have paid an average of 2.5 percent more for food every year for the past five years. All of these increases have outpaced the overall CPI.

Excluding the volatile food and energy categories, the core CPI rose 0.1 percent in August from July and 1.8 percent from 12 months earlier, both below the Federal Reserve's 2 percent inflation target.

Within the core CPI, prices of goods and services behave differently. Core goods fell 0.1 percent, a fourth consecutive monthly decline since May. This implies that the slight increase in the core CPI came from the growth of core service prices.

However, the components of core goods shown in Table 2, i.e., apparel and medical-care commodities, posted strong growth for the month. The broader list of CPI components reveals that the major contributor to the decline in core good prices was information technology commodities. These fell 1.2 percent in August and were down 11.5 percent from three months earlier, the biggest three-month decline among all CPI components.

Services excluding energy rose 0.1 percent month-to-month in August. Over longer spans, core service prices grew more than 2 percent, outpacing both core goods and the overall CPI. Education became slightly cheaper in August for the first time in 12 months. However, education costs have advanced at a much faster pace than other services and goods.

Table 2. The monthly CPI fell for the first time since February.

Data for August 2015	Share	m/m%	3-mth.*	12-mth.*	5-yr.*	20-yr.*
Consumer Price Index	**100.0**	**-0.1**	**1.5**	**0.2**	**1.8**	**2.2**
Food	14.1	0.2	2.8	1.6	2.5	2.6
Energy	8.0	-2.0	-1.0	-15.0	0.0	3.5
CPI excl. food and energy	77.8	0.1	1.6	1.8	1.8	2.0
Goods excl. food and energy	**19.2**	**-0.1**	**-1.4**	**-0.5**	**0.4**	**0.2**
Apparel	3.3	0.3	1.9	-0.9	1.2	-0.2
New vehicles	3.5	0.0	-0.4	0.6	1.4	0.2
Medical-care commodities	1.8	0.3	1.6	3.4	2.5	2.8
Services excl. energy	**58.6**	**0.1**	**2.5**	**2.6**	**2.4**	**2.8**
Shelter	33.0	0.2	3.6	3.1	2.4	2.6
Medical-care services	5.9	0.0	-0.4	2.2	2.9	3.8
Transportation services	3.8	-0.3	-0.7	2.1	2.2	2.5
Education	3.2	-0.1	2.1	3.5	3.7	5.1
AIER'S EPI	**36.4**	**-0.5**	**0.9**	**-2.8**	**1.5**	**2.8**

*=annualized rate
Sources: Bureau of Statistics, AIER (Haver Analytics).

Everyday Price Index

AIER's Everyday Price Index (EPI) decreased 0.5 percent in August after registering no change in July.

The Consumer Price Index (CPI) reported by the Bureau of Labor Statistics decreased 0.1 percent in August on a not-seasonally-adjusted basis after showing no change in July. AIER's EPI is not seasonally adjusted.

This month introduces a revised version of the EPI. To learn more about the changes, read "Capturing shifts in everyday prices" at www.aier.org/issue-briefs.

Over the past 12 months the EPI has fallen 2.8 percent while the CPI has increased 0.2 percent. The difference between the two is due to a drop in energy prices. The EPI assigns a greater weight to energy.

A decline in energy prices provided relief for consumers in August. Gasoline prices fell 5.4 percent, with regular-grade dropping 5.7 percent and premium declining 4.4 percent. Over the past 12 months gasoline prices have decreased 23.3 percent.

Other price decreases in August included internet and cable TV service. Internet service prices decreased 1.2 percent in August and have dropped 3 percent over the past 12 months. Cable TV prices decreased 0.5 percent in August but have increased 1.5 percent over the past 12 months.

https://www.aier.org/epi

A December rate increase is likely after the FOMC did not raise the short-term interest rate target at its September meeting.

The September decision by the Federal Open Market Committee (FOMC) not to raise its federal funds target rate was consistent with most market expectations that no action would be taken, leaving the key short-term interest rate near zero, where it has remained since December 2008.

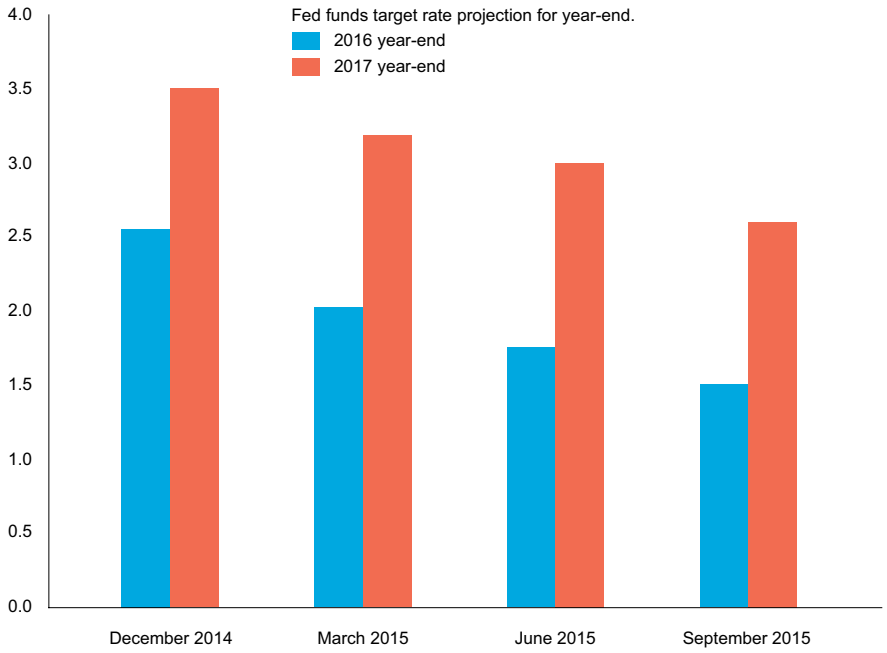
Given the expectation of rising rates by the end of this year, Fed policy makers are still on track to make an initial move toward normalizing rates at one of their two remaining scheduled meetings this year, in October and December. Since December is the bigger meeting with a press conference and the release of Fed projections, it is the mostly likely date for an initial rate increase of 0.25 or 0.5 percentage point. But a step of either magnitude would still result in a low rate compared with the historical average level of 5 percent. The Fed's move would mostly be a signal to the market that monetary policy is tightening.

After the initial increase, it will be interesting to see if the Fed pulls back in the near future as other central banks have done in the face of disappointing economic data. Even if there is no pullback, another important unknown is the pace at which the Fed may continue to raise rates. Fed officials have lowered their projections of the pace of increases in their past four reports (Chart 4).

Even with the recent capital market turmoil and the weak global economy, the Fed's outlook for economic conditions rose in its latest release on Sept. 17. Projected gross domestic product growth was revised up, to 2.1 percent from 1.9 percent for this year, and unemployment was forecast to fall to 5 percent from the 5.3 percent rate estimated earlier. But the projected inflation rate for 2015, as measured by the personal consumption expenditure price index, was 0.4 percent, quite a bit lower than the previous projection of 0.7 percent, indicating that sluggish inflation may play an important role in the Fed's decision.

An objection to raising interest rates now might be that such a move could be expected to constrain borrowing, which in turn may dampen consumer demand, business investment, and economic growth. But raising the key rate

Chart 4. The Fed has lowered projections for the pace of interest rate increases three times since December.



Note: Average of the midpoint of the target ranges picked by FOMC participants.
Source: Economic projections of Federal Reserve Board members and Federal Reserve bank presidents.

may also signal that rates will be pushed even higher in the future, prompting consumers and businesses to borrow sooner rather than later. U.S. stock markets, already reflecting expectations of an increase, will react quickly to any Fed action on rates. But history shows that stock market performance has little correlation with the broader economy when viewed from a longer perspective (see AIER Issue Brief: https://www.aier.org/research/new-insight-investor).

Labor force and education trends challenge policies

Two demographic trends that have been in the works for a while—retiring baby boomers and the educational attainment of younger Americans—are limiting labor force expansion and productivity. This ultimately slows down economic growth.

The labor force increased, on average, 1.5 percent annually for several decades before the Great Recession. But since the end of the recession, it has grown by less than 0.5 percent a year. Partly this reflects the recession's after-effects. Poor job prospects led some to drop out of the labor force. But a substantial part of the slowdown stems from demographic changes.

The oldest of the baby boomers reached early retirement age (as defined by Social Security) in 2008 and full retirement age in 2012. The push of the Great Recession and the pull of Social Security benefits have contributed to lower labor force participation rates. As boomers continue to retire, U.S. labor force growth will slow even more.

It might seem that not much can be done about this trend, since it is driven by demographic change. But there is a way to boost labor force growth almost immediately. Immigration policy could be designed to quickly add to the labor force people who have desired characteristics (e.g., young, well educated, highly skilled). Several countries, including Canada, Australia, and the United Kingdom, do this through skill-based immigration programs that offer residency or citizenship. But the U.S. has no such program, and none has been seriously proposed in Congress. Most of the political discourse about immigration focuses on illegal immigrants with very little thought given to how we can mold legal immigration to the needs of the economy.

Economic growth ultimately is determined by the pace of technological progress. Less than 35 percent of young Americans (ages 25 to 29) hold a college degree, a rate below that of countries such as Canada, Japan, Korea, or the U.K. If skill-based immigration is off the table in the U.S., the only other option to increase productivity and economic growth is to raise the educational attainment level at home.

The president's budget proposal for 2016 includes measures to make it easier for Americans to pursue college degrees. In addition to increasing Pell Grants and expanding educational tax credits, the administration proposes a new program called America's College Promise. It provides a federal grant to states that agree to make community colleges free for students meeting certain performance criteria, such as grade point average thresholds and progress toward graduation. States have an option to participate in this program, but doing so requires them to provide additional funding to community colleges.

Whether this initiative will succeed in increasing the number of people with college degrees remains to be seen. In any event, the effect on the overall educational attainment of the labor force will be slow. It likely would take years for states to sign up for the program, should it take effect, and for young people to acquire additional degrees. But it seems that there is no political appetite for finding a faster solution through immigration policy changes.

FIXED INCOME

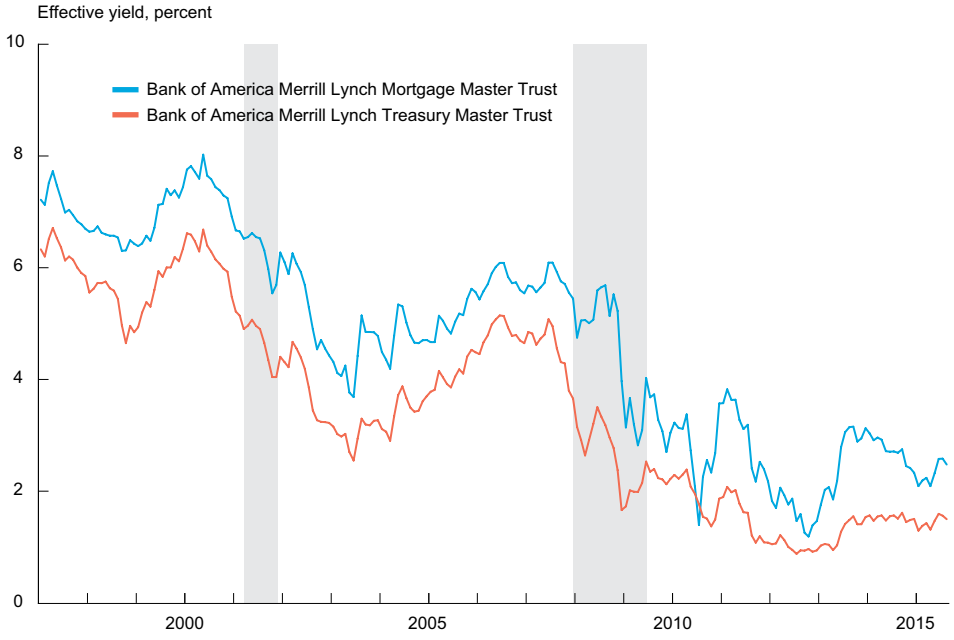
U.S. longer-term interest rates have been falling since 1980. Ten-year Treasury note yields peaked at 15.3 percent in September 1981 and fell to a low of 1.5 percent in July 2012. The average yield on the 10-year Treasury for August 2015 was 2.2 percent.

Yields on mortgage-backed securities have generally followed the yields on Treasurys. Since 1997, yields on mortgage-backed securities have averaged about 1.25 percentage points above yields on Treasurys, based on data from Bank of America Merrill Lynch (Chart 5). For August 2015, mortgage yields were only about 1 percentage point above Treasurys.

Two key trends are likely to influence mortgage-backed security yields going forward. First, with the Fed moving closer to raising short-term interest rates, longer-term Treasury yields and mortgage-backed security yields are likely to face some upward pressure. Possibly offsetting that may be some improvement in mortgage loan quality as U.S. borrowers benefit from continued improvement in the labor market and accelerating wage gains. Improved loan quality implies a somewhat lower risk associated with home loans and therefore should lead to acceptance of slightly lower yields by investors.

The bottom line is that with yields so low, total returns on fixed-income investments are unlikely to match returns posted during the great bond bull market from 1980 to 2012. Investors reviewing their asset allocations should carefully consider the benefits and trade-offs of fixed-income holdings as well as assumptions of future returns on these investments.

Chart 5. Mortgage-backed securities generally follow the yields on Treasurys. As the Fed moves closer to raising the short-term interest rate, both may rise.



Note: Shaded areas denote recessions.
Sources: Bank of America Merrill Lynch (Haver Analytics).

COMMODITIES

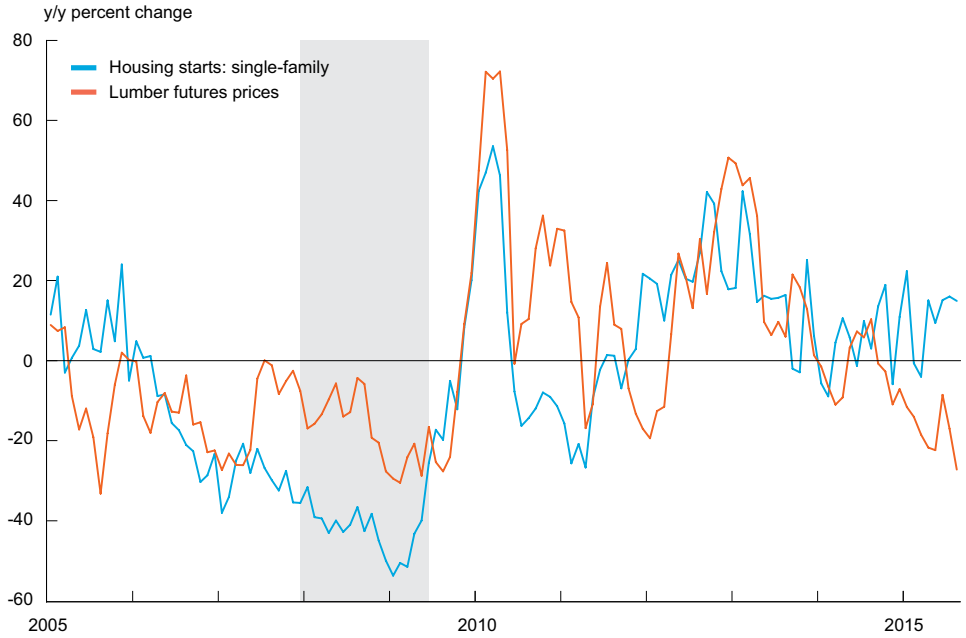
Nearly all commodity markets have experienced substantial price declines in recent years, and lumber is no exception. In addition to factors such as a strong dollar and weak global growth that have weighed on most commodity prices, lumber is under added pressure from weakness in U.S. single-family home construction.

Futures markets show that lumber prices have been reasonably predictable based on single-family home construction starts over the past 25 years (Chart 6). Lumber futures historically have been more volatile than housing starts, so it's not unusual to see prices showing larger gains and declines than the construction data suggest, even as they generally trend the same way. Recently, however, lumber prices have fallen while single-family home starts have slowly risen.

This divergence has two possible explanations. Either futures prices have overshot to the downside, meaning that investors are overly pessimistic about the outlook for home construction, which suggests that lumber prices may rebound, or investors are more prescient about the future. If so, that may mean additional declines in home starts.

Many factors will likely affect the single-family home market in the quarters and years ahead. From a business-cycle perspective, continued moderate growth in the economy should support better jobs and income gains. Economists have long thought that higher interest rates on mortgages reduce home purchases. However, recent research shows that down payments have a larger impact on demand than interest costs. Subtler and less predictable are the demographic trends. As more boomers turn 65, more may sell their primary residence and decide to spend retirement in their vacation home. It may take longer for more younger Americans, especially millennials, to determine whether home ownership still represents a good investment. Meanwhile, investors and builders will be left to wonder whether single-family houses or condominiums are a better bet.

Chart 6. Lumber prices are surprisingly weaker than the slow growth in single-family construction.



Note: Shaded area denotes recession.

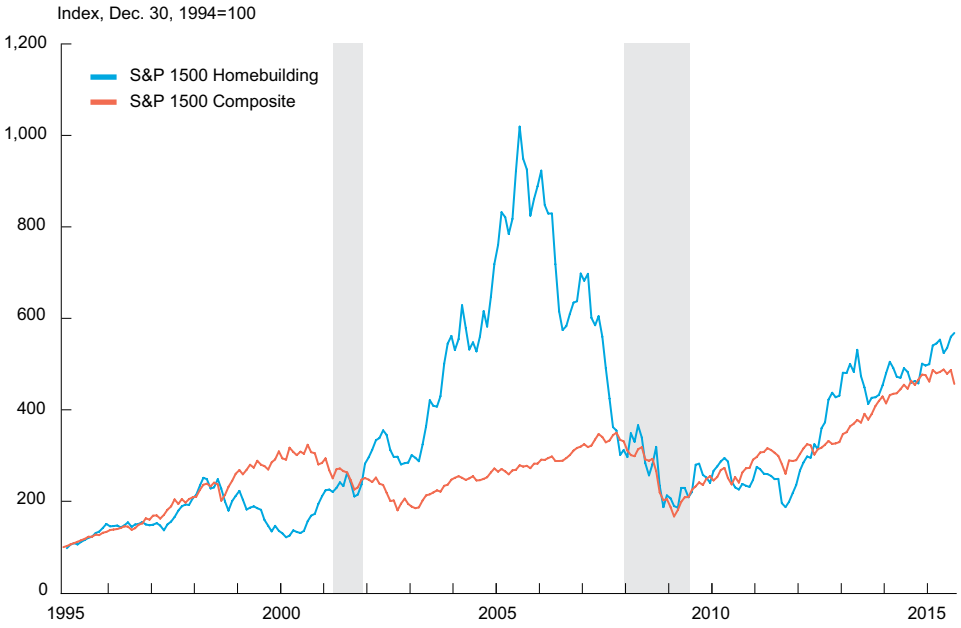
Sources: Sources: U.S. Census Bureau, Chicago Mercantile Exchange (Haver Analytics).

U.S. EQUITIES

In contrast to the weak housing outlook suggested by the lumber futures market, stock prices for homebuilding companies appear to reflect a somewhat more optimistic view, in line with recent trends in construction starts. Over the past 20 years, stock prices as measured by the Standard & Poor's S&P 1500 Homebuilders index have generally tracked the performance of single-family housing starts, though with periods of excess volatility or optimism.

Interestingly, the period with the most excessive optimism came during the 2000-2005 housing boom. While this may have been predictable, it is surprising that the bubble in share prices for homebuilder stocks during the housing boom was bigger than the one that inflated NASDAQ tech issues in the late 1990s. From 2000 through the peak in 2005, the S&P 1500 Homebuilder index rose more than 570 percent. By comparison, the NASDAQ Composite Index climbed about 550 percent between 1995 and its March 2000 peak. Following the collapse in homebuilder stocks, the S&P index performed about in line with the broader market. But it has generally outperformed the broader market since 2011 (Chart 7).

Chart 7. Homebuilder stocks have out-performed the broader market since 2011.



Note: Shaded areas denote recessions.
Source: Standard & Poor's (Haver Analytics).

GLOBAL EQUITIES

The third quarter of 2015 turned out to be very difficult for global equities. International stock markets have faced a host of problems, including fears of a deepening slowdown in China, concerns over global economic growth, escalating conflict in the Middle East, an immigration crisis, uncertainty over Fed interest rate policy, and collapsing commodity prices.

Like the phoenix that rises from the ashes, difficult times can often lead to opportunity. While not all markets will rebound completely, and some will rebound sooner than others, a number of markets across the world have made some progress. Table 3 shows the total decline from each market's high over the past 10 years to the close on Sept. 25, 2015. The declines range from just 8.2 percent for South Africa to 87.3 percent for Greece. While each market is different and not all should be expected to fully recover, there are likely to be opportunities in global markets. The table also shows year-to-date (YTD) performance through Sept. 25 to highlight that while it has indeed been a tough year, some markets are still performing well – notably Ireland, up 20.7 percent, and Italy, up 12.2 percent. The old adage of buy low, sell high may be quite appropriate for global markets at the moment.

Table 3. Most global markets are down in 2015 and all are down from their 10-year high.

	Decline from high	YTD		Decline from high	YTD
Ireland	-36.8	20.7	Australia	-25.9	-5.8
Italy	-51.9	12.2	India	-12.9	-5.9
Portugal	-63.1	5.4	UK	-14.0	-7.0
France	-27.4	4.9	Spain	-44.2	-7.7
Israel	-11.3	3.4	Thailand	-16.2	-8.1
Japan	-14.3	2.5	Malayasia	-14.7	-8.3
S Africa	-8.2	2.3	Canada	-14.6	-8.6
S Korea	-12.8	1.4	Hong Kong	-33.0	-10.2
Russia	-68.3	-0.3	Brazil	-39.0	-10.4
Germany	-21.7	-1.2	Taiwan	-18.5	-12.6
Mexico	-8.5	-1.6	Singapore	-26.9	-15.8
Chile	-22.4	-3.5	Eqypt	-38.4	-17.7
China	-42.0	-3.7	Greece	-87.3	-18.3
Philippines	-14.9	-4.3	Indonesia	-23.8	-19.5
Switzerland	-10.8	-5.3	Colombia	-42.8	-20.0
U.S.	-8.8	-5.6	Peru	-58.5	-32.5

Data through 9/25/15

PULLING IT ALL TOGETHER

THE ECONOMY…

Unusual demographic shifts currently underway and slated to last for many more years may be affecting the overall economic growth rate as well as creating pockets of relative strength and weakness. One example is in housing, where multifamily construction has rebounded more robustly than single-family homebuilding following the housing boom and subsequent bust that helped usher in the Great Recession.

Our Leaders index improved slightly in the latest reading, while cyclical scores changed little. Taken together, the AIER data suggest that the risk of recession in the coming six to 12 months remains low.

…INFLATION…

The Consumer Price Index slipped month-to-month for the first time since February 2015. This is consistent with last month's report that inflationary pressure was easing. The latest AIER inflationary Pressures Scorecard points to further downward pressure on inflation for months to come. Only eight indicators out of 23 show rising inflationary pressure, compared with 12 last month. The easing resulted from a recent slowdown in consumer demand and fast growth in supply. A decline in energy prices was another important contributor.

…POLICY…

The Fed kept interest rates unchanged at its September meeting, in line with market expectations. But the central bank's projections continue to indicate that the first rate hike in more than nine years is likely to occur by the end of December. After holding rates near historic lows for so long, anticipation of the initial step toward normalization in monetary policy may actually stimulate borrowing in the short run as people try to get ahead of future increases.

Demographic change is slowing growth in the labor force and gains in educational attainment. The fastest way to reverse this—skill-based immigration—is unlikely to garner political support in Washington. Alternative but slower solutions include making it easier for American youth to continue their education beyond high school.

…INVESTING

Yields on mortgage-backed securities are about in line with their historical relationship to U.S. Treasurys. An improving economy and healthier finances for borrowers would boost overall loan quality and help narrow yield spreads slightly. However, the prospect of Fed interest rate increases is likely to boost pressure on yields across the fixed-income spectrum.

Lumber futures prices have fallen more than other housing-market indicators would suggest.

A bubble in stock prices of U.S. homebuilders from 2000 through 2005 was worse than the better-known tech-stock bubble of the late 1990s. Following the bust in homebuilder shares and the Great Recession, homebuilder stocks since 2011 have slightly outperformed the broader market.

Global equity markets have struggled in recent months, reeling from a worldwide economic slowdown, the effects of potentially higher U.S. interest rates, a strong U.S. dollar, and ongoing military conflicts that have created arefugee crisis. For those with a high tolerance for risk, these times can create opportunity.

CAPITAL MARKET PERFORMANCE

(Percent change)

	Sept. 2015	Latest 3M	Latest 12M	Calendar Year 2014	2013	2012	Annualized 3-year	5-year	10-year
Equity Markets									
S&P 1500	-2.7	-7.2	-2.3	10.9	30.1	13.7	10.2	11.1	4.8
S&P 500 - total return	-2.5	-6.4	-0.6	13.7	32.4	16.0	12.4	13.3	6.8
S&P 500 - price only	-2.6	-6.9	-2.6	11.4	29.6	13.4	10.0	11.0	4.6
S&P 400	-3.4	-8.9	-0.2	8.2	31.6	16.1	11.4	11.3	6.7
Russell 2000	-5.1	-12.2	-0.1	3.5	37.0	14.6	9.5	10.2	5.1
Dow Jones Global Index	-5.5	-10.2	-8.8	11.9	16.1	-0.3	5.7	5.6	2.9
Dow Jones Global ex. U.S. Index	-6.4	-12.6	-14.6	7.1	13.0	-6.7	1.2	0.6	1.1
STOXX Europe 600 Index	-4.1	-8.8	1.4	4.4	17.4	14.4	9.0	6.0	1.6
Bond Markets									
Ryan Labs Treasury index total return	0.3	2.2	4.5	9.6	-6.6	2.9	1.3	3.5	5.1
Dow Jones corporate bond index total return	0.6	1.8	2.2	7.2	-1.9	11.1	2.2	4.8	6.2
Commodity Markets									
Gold	1.2	-4.6	-9.2	-10.3	-15.5	6.4	-13.6	-2.4	9.5
Silver	2.7	-3.5	-8.9	-13.3	-36.3	1.6	-23.3	-7.0	8.5
CRB all commodities	-0.7	-4.4	-15.5	1.1	-3.1	-9.6	-6.4	-3.0	3.3

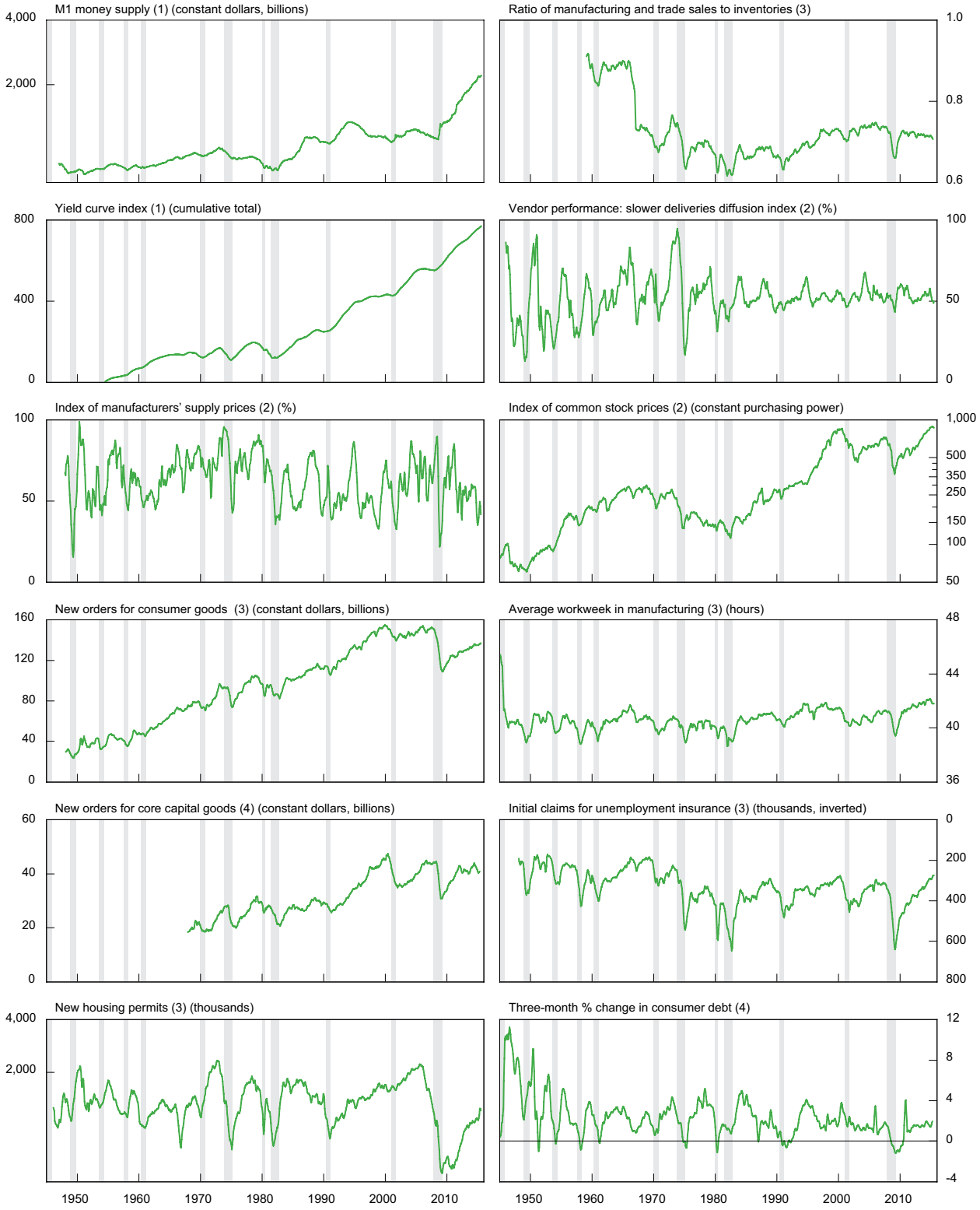
CONSUMER FINANCE RATES

(Percent)

	Sept. 2015	Latest 3M	Latest 12M	Average For Year 2014	2013	2012	Average Over Period 3-year	5-year	10-year
30-yr. fixed mortgage	3.9	4.0	4.0	4.3	4.2	3.8	4.1	4.2	5.0
15-yr. fixed mortgage	3.1	3.2	3.2	3.4	3.3	3.2	3.3	3.4	4.4
5-yr. adjustable mortgage	3.3	3.3	3.5	3.6	3.4	3.0	3.4	3.4	#N/A
Home-equity loan	4.4	4.4	4.4	4.7	5.1	4.7	4.7	4.8	5.5
48-month new car loan	3.1	3.1	3.0	3.1	2.7	3.3	2.9	3.4	5.1

Sources for tables on this page: Barron's, Commodity Research Bureau, Dow Jones, Frank Russell, Standard & Poor's, STOXX Limited, Wall Street Journal. Haver Analytics.

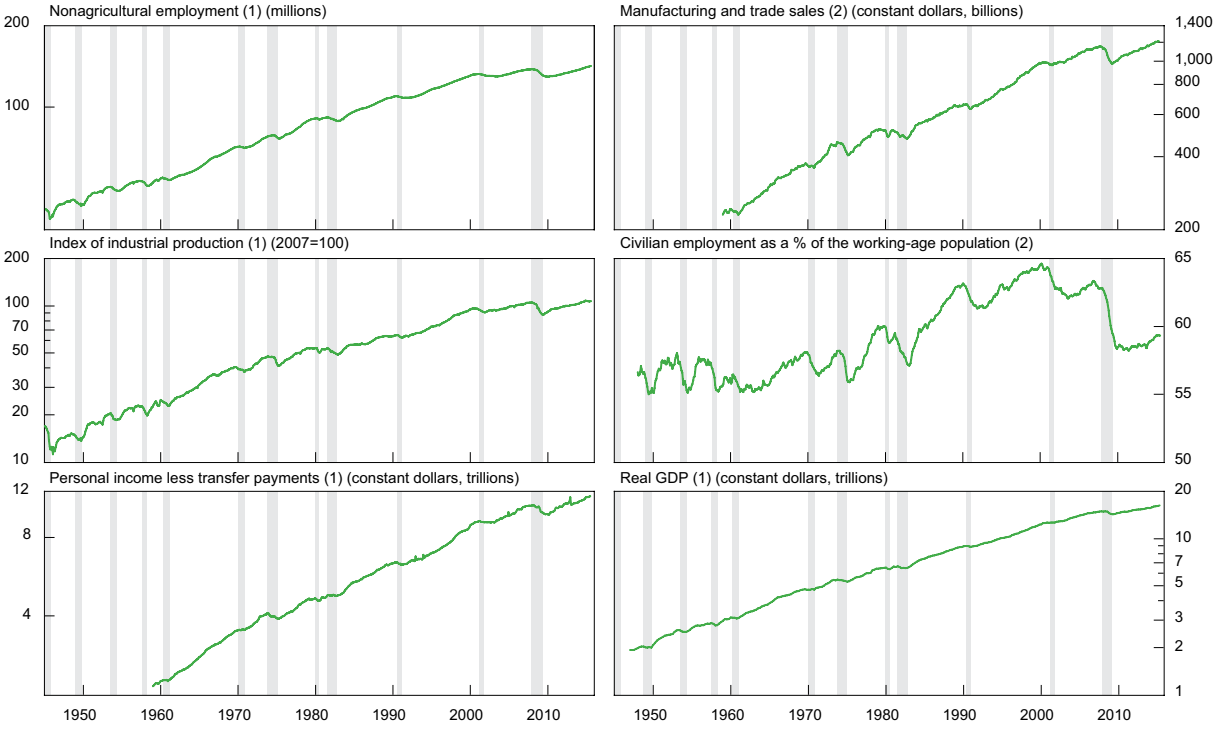
LEADERS



Sources for Appendix: Federal Reserve Board, Institute for Supply Management, Census Bureau, Bureau of Economic Analysis, The Conference Board, Standard & Poor's, Department of Labor, Bureau of Labor Statistics, AIER (Haver Analytics).

Note: Shaded areas denote recessions.

COINCIDERS



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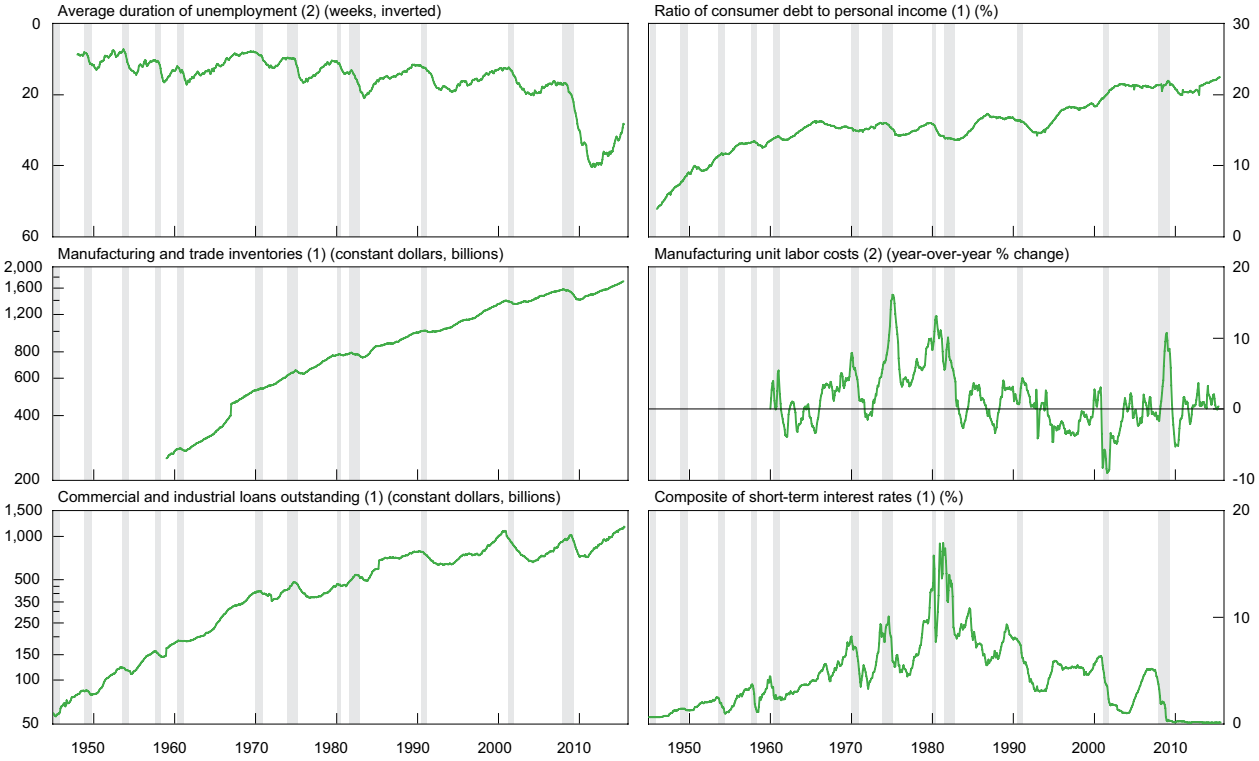

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ISSN 2376-0516 (print)
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