



Market Commentary September 19, 2016

Dear Investors:

If it's not one thing, it may be another.

Economic data released last week will factor into this week's Federal Open Market Committee (FOMC) decision on whether to push interest rates higher in the United States. Some of the August data supports the idea economic growth was soft. For example, August retail sales fell more than expected; down 0.3 percent from July. Other data was as expected: U.S. producer prices were flat, which was in line with expectations.

However, the kicker may be inflation. It increased during August, "...offering fresh evidence that U.S. inflation may be firming after years of sluggish price growth," wrote *The Wall Street Journal*. The Consumer Price Index, which is a gauge of inflation, rose more than economists had expected in August in large part because of higher healthcare costs, according to *Reuters*.

Stock markets steadied last week as the chances of a rate hike this week declined. *Barron's* reported:

"The probability of a rate hike, as measured by the fed-futures market, sank to 20 percent from more than 30 percent a week earlier. Still, investors fear a September surprise... 'The Fed's in a tough spot,' says Aaron Clark, a portfolio manager at GW&K Investment Management. 'The governors want to hike but the window is closing.' The Fed can cry wolf so many times before it loses credibility and dilutes the power of "Fedspeak" in the future."

If the FOMC increases rates this week, there may be "knee-jerk selloff," according to *Barron's*, and if rates remain unchanged, a relief rally may ensue. Either way, the paper opined, much will depend on the FOMC's explanation.

So, will the Federal Reserve raise rates or won't they? We'll find out soon.

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Data as of 9/16/16	1-Week	Y-T-D	1-Year	3-Year	5-Year	10-Year
Standard & Poor's 500 (Domestic Stocks)	0.5%	4.7%	7.2%	8.0%	12.0%	4.9%
Dow Jones Global ex-U.S.	-2.5	1.5	0.5	-2.1	2.1	-0.2
10-year Treasury Note (Yield Only)	1.7	NA	2.3	2.9	2.1	4.8
Gold (per ounce)	-1.7	23.2	17.1	-0.4	-6.1	8.5
Bloomberg Commodity Index	-0.9	5.7	-6.7	-13.6	-12.0	-6.3
DJ Equity All REIT Total Return Index	-0.7	9.8	18.8	12.8	12.9	6.1

S&P 500, Dow Jones Global ex-US, Gold, Bloomberg Commodity Index returns exclude reinvested dividends (gold does not pay a dividend) and the three-, five-, and 10-year returns are annualized; the DJ Equity All REIT Total Return Index does include reinvested dividends and the three-, five-, and 10-year returns are annualized; and the 10-year Treasury Note is simply the yield at the close of the day on each of the historical time periods.

Sources: Yahoo! Finance, Barron's, djindexes.com, London Bullion Market Association.

Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly. N/A means not applicable.

IS YOUR STATE CRAFTY?

Oktoberfest is upon us and that means beer. In the United States, celebrations are likely to include craft-brewed drafts, which are a far cry from traditional American lager, according to the *Brewer's Association*. *The Economist* wrote:

“Any American university student can inform you that much of the beer in the United States is utter swill. Those who graduate from the red Solo cup – the brand so synonymous with beer pong and college life – can afford to purchase better. And so they do. Craft beer, the stuff made by small and independent breweries, has exploded beyond just hipsters. Sales reached \$22.3 billion in 2015, and volumes have climbed 13 percent over the past year, even as overall beer sales in America dipped somewhat.”

Craft brewers have been winning market share from big brand names for some time. Less than 50 years ago, more than 99 percent of the beer quaffed in the United States was lager produced by large domestic breweries, according to research cited by *Forbes*.

Since then, the drafts produced by microbreweries, brewpubs, regional craft breweries, and contract brewing companies have gained popularity. In 1994, there were 537 craft brewers in America. That number swelled over the next two decades and, by 2013, there were 2,800 craft brewers and more than 1,500 additional breweries in development.

Remarkably, Vermont, which is one of the smallest states, has the most craft breweries per capita – 44 of them. Oregon, Colorado, Montana, Maine, and Washington also boast a significant number of small breweries, while Mississippi, Louisiana, and Alabama have the fewest.

After tallying the numbers, the *Brewer's Association* reported craft beer accounted for more than 12 percent of sales during 2015, and imports for almost 16 percent. The craft brewing industry

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contributed almost \$56 billion to the U.S. economy in 2014, and has created more than 424,000 jobs.

Weekly Focus – Think About It

“My mission in life is not merely to survive, but to thrive; and to do so with some passion, some compassion, some humor, and some style.”

--Maya Angelou, American poet

Best regards,



John Y. Kim, J.D., LL.M.
President

P.S. Please feel free to forward this commentary to family, friends, or colleagues. If you would like us to add them to the list, please reply to this e-mail with their e-mail address and we will ask for their permission to be added.

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- * The Standard & Poor's 500 (S&P 500) is an unmanaged index. Unmanaged index returns do not reflect fees, expenses, or sales charges. Index performance is not indicative of the performance of any investment.
- * The Dow Jones Global ex-U.S. Index covers approximately 95% of the market capitalization of the 45 developed and emerging countries included in the Index.
- * The 10-year Treasury Note represents debt owed by the United States Treasury to the public. Since the U.S. Government is seen as a risk-free borrower, investors use the 10-year Treasury Note as a benchmark for the long-term bond market.
- * Gold represents the afternoon gold price as reported by the London Bullion Market Association. The gold price is set twice daily by the London Gold Fixing Company at 10:30 and 15:00 and is expressed in U.S. dollars per fine troy ounce.
- * The Bloomberg Commodity Index is designed to be a highly liquid and diversified benchmark for the commodity futures market. The Index is composed of futures contracts on 19 physical commodities and was launched on July 14, 1998.
- * The DJ Equity All REIT Total Return Index measures the total return performance of the equity subcategory of the Real Estate Investment Trust (REIT) industry as calculated by Dow Jones.

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