Weekly
VANTAGE POINT

October 3 - 7, 2016 Recap

Slower Jobs Growth Not Seen as Rate Hike Obstacle

October 10, 2016 - U.S. stocks slipped on Friday, adding to the S&P 500's first weekly decline in the past four weeks, as nervousness about September's payrolls report culminated in the smallest monthly jobs gains since May. The economy added 156,000 new jobs last month, trailing expectations for 172,000, while revisions to the prior two months subtracted 7,000. The unemployment rate inched higher from 4.9% to 5% as the labor participation rate edged higher. Wages rose slightly along with the average hourly workweek. Despite the slower pace of hiring, Wall Street economists believe the increase is "just enough" to warrant the Fed to raise rates by year-end.

In other key economic news last week, the Institute for Supply Management's (ISM) PMI reading for manufacturing activity grew at modest pace in September, after an unexpected decline the month prior. However, the ISM's Non-Manufacturing Index, which measures activity in the nation's service industries, increased to an 11-month high, its biggest monthly gain on record since 1997. Factory orders rebounded 0.2% in August after a revised 1.4% decline in July, while August durable goods orders crept up 0.1% after being unchanged the month prior.

For the week, the S&P 500 fell 0.60%, the Dow Industrials declined by 68points (-0.37%), and the NASDAQ Composite lost 0.34%. Ten of the 11 major sector groups ended with weekly declines, led by Real Estate (-5.22%), Utilities (-3.81%), and Telecom (-2.77%). Energy (-0.01%) fell the least while Financials (+1.62%) outperformed on prospects for increased profits from rising rates. The US Dollar Index strengthened over the week, ending at 96.632, while gold futures plunged over $58/oz. (-4.47%) to finish at $1256.93/oz. After jumping nearly 8.5% the week prior, U.S. crude oil prices extending gains by 3.25%, ending at $49.81/bbl. Treasury securities declined last week, with the yield on 10-year Treasury notes gaining 12.4 basis points to end on Friday at 1.719%.

What We're Reading

Central Banks May Double Down ↗

Brexit Talks Should Avoid Punishment ↗

Gold Outlook Set for Further Declines↗

These links to outside web sites are provided as a courtesy and are not under the control of Tower Square Investment Management LLC. For more details, please see the "Disclosures" section.

Week's Economic Calendar

Monday, October 10: No major releases;

Tuesday, October 11: Labor Market Conditions, NFIB Small Business Optimism Index;

Wednesday, October 12: MBA Mortgage Applications, JOLTS, FOMC Minutes ;

Thursday, Month Day: Jobless Claims, Import/Export Prices ;

Friday, Month Day: Producer Price Index, Retail Sales, Business Inventories, Consumer Sentiment .

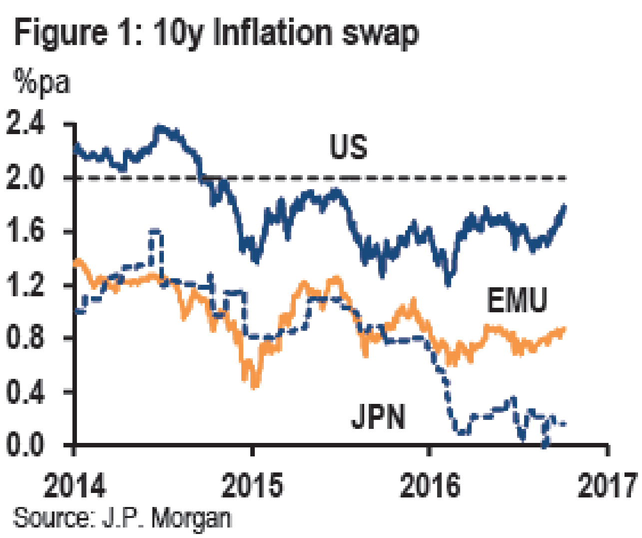
TOWER SQUARE
INVESTMENT MANAGEMENT

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	-0.37%	-0.37%	1.93%	4.68%	7.84%	6.89%
S&P 500	-0.60%	-0.60%	3.20%	7.19%	10.29%	11.04%
NASDAQ Composite	-0.34%	-0.34%	8.85%	6.73%	11.83%	13.32%
Russell 3000	-0.72%	-0.72%	3.63%	7.40%	9.64%	10.28%
MSCI EAFE	-0.77%	-0.77%	7.29%	0.94%	0.49%	0.46%
MSCI Emerging Markets	1.29%	1.29%	11.30%	17.51%	10.06%	-0.72%
Bonds						
Barclays Agg Bond	-0.51%	-0.51%	-0.72%	5.26%	4.44%	3.84%
Barclays Municipal	-0.62%	-0.62%	-1.19%	3.37%	4.80%	5.31%
Barclays US Corp High Yield	0.45%	0.45%	5.04%	15.63%	11.61%	5.26%
Commodities						
Bloomberg Commodity	0.36%	0.36%	0.21%	9.26%	-4.70%	-12.46%
S&P GSCI Crude Oil	3.49%	3.49%	10.60%	34.78%	4.16%	-21.44%
S&P GSCI Gold	-4.95%	-4.95%	-8.09%	18.08%	8.96%	-1.88%

Source: Morningstar

Chart of the Week: Inflation Watch – U.S. Prices Strengthen, Japan and Europe Languish



Source: J.P. Morgan

In a recent report, JPMorgan economists' believe that disinflationary shock is now fading, with goods-producing industries and business spending likely to benefit most from this shift. The latest news flow tends to support this view, as proxy indices for capital goods rebounded in August and September global manufacturing PMI's are tracking at around 2% growth in global industrial production, up from 1% in the first half of 2016. Meanwhile, The Bank of Japan (BoJ) and the European Central Bank (ECB) are reticence to further ease monetary policy, despite their recognition that inflation is likely to materially undershoot their inflation targets over the next few years. This highlights constraints in using unconventional stimulus tools much further. In addition to questions about the efficacy of further asset purchases and "no interest rate" policy, central banks face rising public and political opposition.

As the above chart shows, while the U.S. moves closer to its 2% inflation target, core inflation is stuck below 1% in the Euro area and appears poised to fall to zero in coming months in Japan, while inflation expectations have moved lower. Moreover, both the ECB and the BoJ only envision a slow return to 2% target for inflation over the coming years. Consequently, the constraint of a slow reflationary trend over the coming years should not be underestimated as an offset to the view that central bank tools are reaching their limits and supply side disappointments are beginning to bind.

This report is created by Tower Square Investment Management LLC

About Tower Square Investment Management®
Tower Square Investment Management LLC is an SEC registered investment adviser owned by Cetera Financial Group®. It provides investment research, portfolio and model management, and investment advice to its affiliated broker-dealers, dually registered broker-dealers and registered investment advisers.

Disclosures
The material contained in this document was authored by and is the property of Tower Square Investment Management LLC. Tower Square Investment Management provides investment management and advisory services to a number of programs sponsored by affiliated and non-affiliated registered investment advisers. Your registered representative or investment adviser representative is not registered with Tower Square Investment Management and did not take part in the creation of this material. He or she may not be able to offer Tower Square Investment Management portfolio management services.

Nothing in this presentation should be construed as offering or disseminating specific investment, tax, or legal advice to any individual without the benefit of direct and specific consultation with an investment adviser representative authorized to offer Tower Square Investment Management services. Information contained herein shall not constitute an offer or a solicitation of any services. Past performance is not a guarantee of future results.

For more information about Tower Square Investment Management strategies and available advisory programs, please reference the Tower Square Investment Management LLC Form ADV disclosure brochure and the disclosure brochure for the registered investment adviser your adviser is registered with. Please consult with your adviser for his or her specific firm registrations and programs available.

No independent analysis has been performed and the material should not be construed as investment advice. Investment decisions should not be based on this material since the information contained here is a singular update, and prudent investment decisions require the analysis of a much broader collection of facts and context. All information is believed to be from reliable sources; however, we make no representation as to its completeness or accuracy. The opinions expressed are as of the date published and may change without notice. Any forward-looking statements are based on assumptions, may not materialize, and are subject to revision.

All economic and performance information is historical and not indicative of future results. The market indices discussed are unmanaged. Investors cannot directly invest in unmanaged indices. Please consult your financial advisor for more information.

The return and principal value of bonds fluctuate with changes in market conditions. If bonds are not held to maturity, they may be worth more or less than their original value.

The yield on high yield bonds is due, in part, to the volatility and risk of the high securities market. High yield bonds are also known as "junk bonds".

Additional risks are associated with international investing, such as currency fluctuations, political and economic instability, and differences in accounting standards.

Affiliates and subsidiaries and/or officers and employees of Cetera Financial Group or Cetera firms may from time to time acquire, hold or sell a position in the securities mentioned herein.

While diversification may help reduce volatility and risk, it does not guarantee future performance.

Links to outside web sites are provided as a courtesy and are not under the control of Cetera Financial Group or its affiliated firms. We make no representation as to the completeness or accuracy of information provided at these web sites. Nor is the company liable for any direct or indirect technical or system issues or any consequences arising out of your access to or your use of third-party technologies, web sites, information and programs made available through this web site. When you access one of these web sites, you assume total responsibility and risk for your use of the linked web sites.

Tower Square Investment Management LLC
200 N. Sepulveda Blvd., Suite 200, El Segundo, CA 90245

Glossary

*The **Barclays U.S. Aggregate Bond Index** is an unmanaged index composed of Barclays Credit government bond index, mortgage backed securities index, and asset backed securities index and is generally representative of the US Bond market.*

*The **Barclays U.S. Corporate High Yield Index** measures the market of USD-denominated, non-investment grade, fixed-rate, taxable corporate bonds. Securities are classified as high yield if the middle rating of Moody's, Fitch, and S&P is Ba1/BB+/BB+ or below, excluding emerging market debt.*

*The **Barclays U.S. Municipal Bond Index** is an unmanaged, market-value-weighted index of investment-grade municipal bonds with maturities of one year or more.*

*The **Bloomberg Commodity Index** is a broadly diversified index that allows investors to track commodity futures through a single, simple measure. It is composed of futures contracts on physical commodities and is designed to minimize concentration in any one commodity or sector. It currently includes 19 commodity futures in five groups. No one commodity can comprise less than 2% or more than 15% of the index, and no group can represent more than 33% of the index (as of the annual reweightings of the components).*

*The **CBOE Volatility Index® (VIX®)** is a key measure of market expectations of near-term volatility conveyed by S&P 500 stock index option prices. Since its introduction in 1993, VIX has been considered by many to be the world's premier barometer of investor sentiment and market volatility.*

*The **CRB Index** is a pricing index that measures changes in the price of 22 commodities that are believed to be among the first to react to changes in economic conditions.*

*The **Dow Jones Industrial Average** is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and the NASDAQ.*

*The **Hang Seng Index** is a market capitalization weighted index of the stocks of the 33 largest companies in the Hong Kong market. The Hang Seng Index is a price weighted/share price index which measures movements in the prices of shares, but not of their dividends.*

*The **MSCI EAFE Index** (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.*

***MSCI Emerging Markets** is designed to measure equity market performance in global emerging markets. It is a float-adjusted market capitalization index.*

*The **NASDAQ 100 Index** is a modified capitalization-weighted index of the 100 largest and most active non-financial domestic and international issues listed on the NASDAQ. No individual listing can have more than a 24% weighting. Launched on February 1, 1985, the index carried a base value of 125.*

*The **NASDAQ Composite Index** includes all domestic and international based common type stocks listed on The NASDAQ Stock Market. The NASDAQ Composite Index is a broad based index.*

*The **Producer Price Index** is a family of indexes that measures the average change over time in the selling prices received by domestic producers of goods and services. PPIs measure price change from the perspective of the seller. This contrasts with other measures, such as the Consumer Price Index (CPI), that measure price change from the purchaser's perspective.*

*The **Russell 3000 Index** measures the performance of the largest 3,000 U.S. companies representing approximately 98% of the investable U.S. equity market.*

*The **S&P 500** is an index of 500 stocks chosen for market size, liquidity and industry grouping (among other factors) designed to be a leading indicator of U.S. equities and is meant to reflect the risk/return characteristics of the large cap universe.*

*The **S&P GSCI Gold Index**, a sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark tracking the COMEX gold future.*

*The **S&P GSCI Crude Oil** Index is a sub-index of the S&P GSCI and provides investors with a publicly available benchmark for investment performance in the crude oil market.*

*The **Shanghai Composite Index** is a stock market index of all stocks (A shares and B shares) that are traded at the Shanghai Stock Exchange.*

*The **STOXX Europe 600 Index** is derived from the STOXX Europe Total Market Index (TMI) and is a subset of the STOXX Global 1800 Index. With a fixed number of 600 components, the STOXX Europe 600 Index represents large, mid and small capitalization companies across 18 countries of the European region: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.*

Tower Square Investment Management LLC
200 N. Sepulveda Blvd., Suite 200, El Segundo, CA 90245