Weekly
VANTAGE POINT

September 6-9, 2016 Recap

Stocks End Sharply Lower Amid Bond Rout

U.S. stocks slumped on Friday, falling the most since the U.K. voted to leave the EU, as a two-day bond market rout sent government debt yields to their highest levels since late June. German 10-year bond yields rose above zero for the first time since July. Global investors essentially expressed concerns after the European Central Bank voted to leave interest rates and bond-buying policies unchanged even in the face of weakening economic data. Investor sentiment was further challenged after Boston Fed President Eric Rosengren warned that waiting too long to raise rates "threatens to overheat the U.S. economy and risks financial stability." The S&P 500 retreated 2.45% on Friday, while the CBOE VIX Volatility Index surged nearly 40%, its largest increase since the 49.3% surge on June 24th, the day after the Brexit vote. Needless to say, market complacency abruptly ended, with the S&P 500 ending a near-record 43-day run without a 1% move.

In key economic data last week, following a weak August manufacturing report the week prior, the ISM Non-Manufacturing (Services sectors) Activity Index fell from 55.5 to 51.4, a six-year low. The final reading of July U.S. wholesale inventories was unchanged in July, while corresponding sales fell 0.4% after rising a revised 1.7% in June. On the bright side, job openings continue to climb, rising by 228,000 in July to 5.87 million, a new record high. Meanwhile, new claims for unemployment benefits declined by 4,000 last week to the lowest level in nearly two months.

For the week, the S&P 500 lost 2.36%, the Dow Industrials fell by 406-points (-2.15%), and the NASDAQ Composite declined by 2.35%. Nine sectors ended sharply lower, with Consumer Staples (-3.83%), Materials (-3.53%), and Consumer Discretionary (-3.01%) falling the most, while Energy was the lone sector to post a positive figure (+0.71%). The US Dollar Index strengthened for a third day, yet edged slightly lower on the week to 95.336. Likewise, oil futures fell the most in five weeks on Friday (-3.65%), yet gained 0.32% over the holiday-shortened four-day trading week, ending at $45.88/bbl. The yield on 10-year Treasury notes jumped to 1.676%, their highest level since June 23rd. Analysis from Bloomberg shows that declines in both stocks and bonds together are rare, though not unprecedented. The last such comparable occurrence was June 20, 2013, when the so-called taper tantrum began, after then Federal Reserve Chairman Ben Bernanke said the Fed would begin reducing its bond-purchase stimulus.

What We're Reading

Bank Rally Falters on Renewed Growth Concerns ↗

Upcoming Fed Talks Portend More Weakness ↗

U.S. & Russia Agree on Cease Fire in Syria ↗

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, Sept 12: No major data;

Tuesday, Sept 13: MFIB Small Business Optimism Index;

Wednesday, Sept 14: Mortgage Applications, Import/Export Prices;

Thursday, Sept 15: Jobless Claims, Producer Prices, Retail Sales, Philly Fed Business Outlook, Empire State Mfg., Business Inventories ;

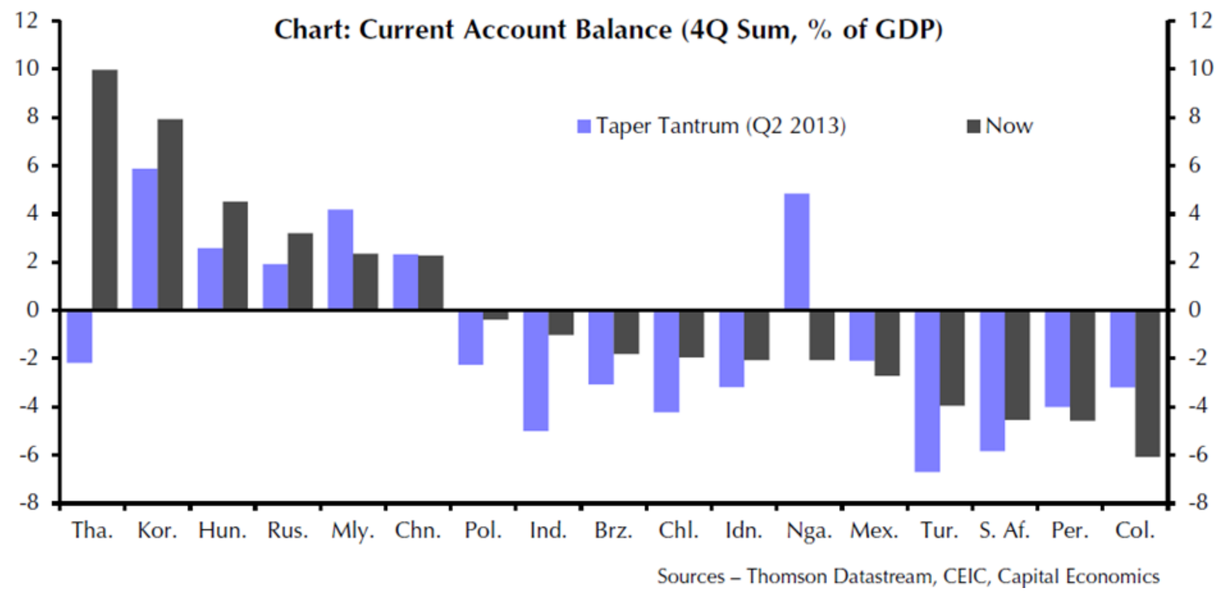
Friday, Month Day: Quadruple Options Expiration, Consumer Prices, Consumer Sentiment.

Market Watch

Stocks	1-Week	MTD	3-Month	YTD	1-Year	3-Year
Dow Jones Industrial Avg.	-2.20%	-1.71%	0.56%	3.79%	11.25%	6.28%
S&P 500	-2.36%	-1.95%	1.12%	5.71%	11.98%	10.68%
NASDAQ Composite	-2.35%	-1.66%	3.68%	3.29%	9.10%	12.76%
Russell 3000	-2.39%	-1.87%	1.36%	5.99%	10.82%	10.09%
MSCI EAFE	-0.13%	1.33%	2.40%	1.83%	1.52%	1.70%
MSCI Emerging Markets	1.12%	1.86%	9.86%	16.68%	15.04%	0.12%
Bonds						
Barclays Agg Bond	-0.38%	-0.53%	0.92%	5.30%	5.17%	4.38%
Barclays Municipal	-0.11%	-0.29%	0.95%	4.23%	6.70%	6.46%
Barclays US Corp High Yield	0.03%	0.04%	4.65%	14.40%	8.37%	5.37%
Commodities						
Bloomberg Commodity	1.25%	1.52%	-6.44%	7.17%	-4.52%	-13.52%
S&P GSCI Crude Oil	3.76%	3.16%	-9.51%	24.49%	3.82%	-25.00%
S&P GSCI Gold	0.59%	1.76%	4.86%	25.87%	21.05%	-1.275

Source: Morningstar

Chart of the Week:
Emerging Markets Less Vulnerable to U.S. Rate Hikes



Neil Shearing, Chief Emerging Markets Economist for Capital Economics, has stated that emerging markets may be less impacted by a Fed rate hike than a few years ago. The chart shows current account positions as a share of GDP today compared with the "Taper Tantrum" in May 2013. Two things are worthy of note, the first of which is that deficits have narrowed in most emerging markets since 2013. The drop has been particularly sharp in India and Brazil. The second, as a result, is that only a handful of emerging markets now run deficits that might be considered worryingly large. Deficits larger than 4-5% of GDP are usually a cause for concern. On this basis, Colombia, Turkey and South Africa look vulnerable to any disruption in external financing. Fed tightening could cause a problem for these EMs. But, for most, the economic implications are limited. And the prospects for the major emerging markets – the BRICs – will be shaped by developments on the domestic policy front rather than as a result of moves by the Fed.

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.

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.*