

SEPTEMBER



What Will the Fed Do?

Changes in interest rates have been a much speculated topic these days. The Federal Open Market Committee (FOMC) met this week and decided not to change rates for September indicating the drag from global economies were worth monitoring the developments abroad.

Janet Yellen, the chair, spoke after the announcement and indicated that until the external weaknesses, drag on the dollar and volatility in commodities markets such as oil came within reasonable measures they would stay the course.

Typically, this type of news would encourage the equity markets but instead the markets traded in negative territory at the end of the day. The overhang of when the Fed will raise rate will continue to loom over investors and continue to restrain any breakout strategies.

We think that December could be the month the Fed will target to raise rates barring any other global disturbance.



Equity Markets Take a Hit

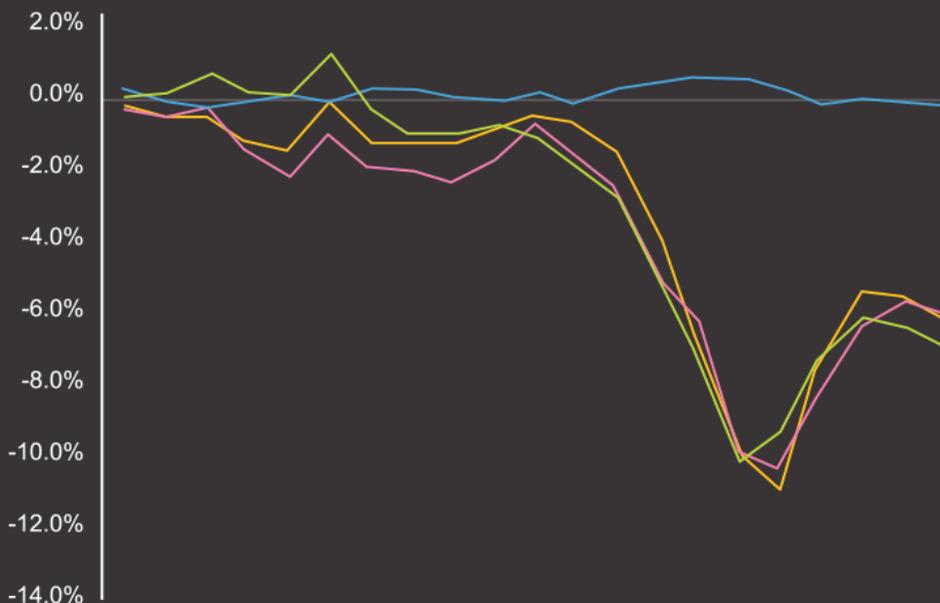
The month of August was quite unpleasant for the equity markets domestic and foreign. The downward spiral started when China devalued its currency against the dollar without an indication to the IMF or any monetary agency.

What happens in China matters, and not just because it is the world's second-biggest economy. Falling Chinese demand has sent prices plunging for all manner of commodities — iron, copper, oil. That has walloped countries that export them. Its surprise devaluation also triggered other governments to drive their currencies lower, roiling financial markets and spreading fears of a currency war.

the market at a glance

AUGUST

■ U.S. Large Cap (Dow Jones Industrial Average)
16,528.03 (-6.57%) ▼
■ U.S. Mid/Small (Russell 2000)
1,159.45 (-6.40%) ▼
■ Foreign Large (MSCI EAFE Index Fund)
59.97 (-7.43%) ▼
■ Bond Market (Barclays Aggregate Bond Fund)
108.92 (-0.53%) ▼



Past performance is no guarantee of future results. Indices are unmanaged and cannot be invested into directly.

the market in action

- Following panicked selling in the Chinese stock markets, global investment volatility jumps and stock indexes throughout the world plummet for three days before starting to rebound.
- The U.S. Commerce Department revises the U.S. GDP growth for Q2 significantly, raising it to an annualized rate of 3.7 percent from 2.3 percent.
- Puerto Rico defaults on its government debt for the first time in its history. Many analyst anticipated the default—the commonwealth has been in a persistent economic recession and holds roughly \$70B in debt.
- In a 3-to-2 vote, the Securities Exchange Commission (SEC) approves a rule that requires most publicly traded companies to disclose the ratio of the chief executive's pay to that of the average employee.
- Google Inc. restructures itself, splitting into multiple entities under a single holding company, Alphabet Inc. The change is part of an effort to better manage Google's massive number of services and investments. Alphabet's new subsidiaries include Google, Google X, Google Capital, Nest Labs, Google Fiber, Google Ventures and Calico.
- Target Corp. reaches a deal with Visa Inc. over costs created by the retailer's massive credit card data breach in 2013. Target says they have agreed to reimburse Visa up to \$67M.
- The Federal Reserve Bank of Dallas names Robert Steven Kaplan, a former Goldman Sachs banker, as its new president. Kaplan replaces Richard Fisher, who held the position for 10 years.
- Berkshire Hathaway makes the single largest purchase in its company's history, acquiring Precision Castparts Corp. for over \$32B.