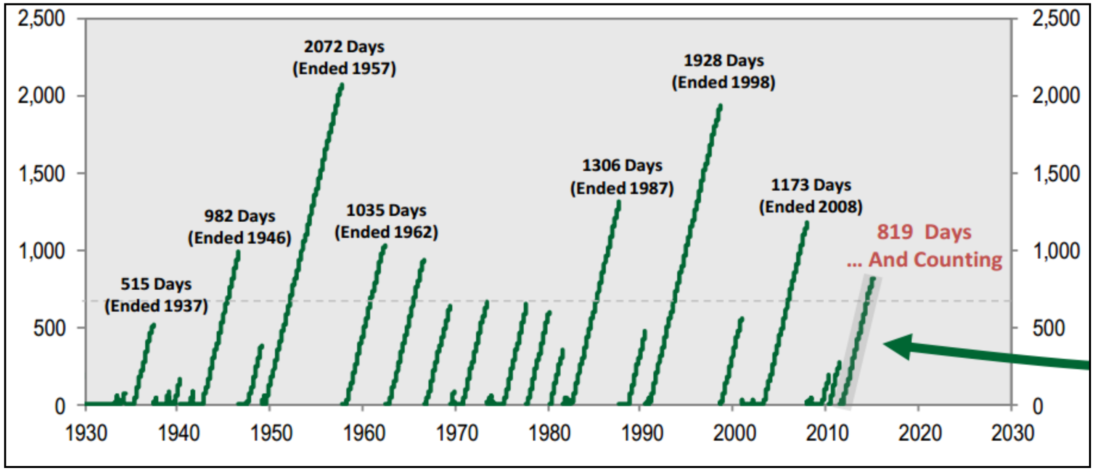
# Market Recap

## NASDAQ Performance


Source: Reuters, USA Today

## S&P 500 Trading Days Without a 15% Correction




Source: Cornerstone Macro

The NASDAQ closed above 5000 for the first time in 15 years on Monday after a boost from merger activity and economic data suggested a slowly accelerating economy. However, this is not the same NASDAQ that last hit the 5000 mark on March 10, 2000 during the dot-com bubble. Today, the companies driving the index are more mature and more diverse. These days, the index is comprised of companies such as Apple, which earned almost $75 billion in its last quarter, and Google, which went public in 2004. According to Douglas Depeitro of Evercore ISI, "…Real earnings and revenue are driving the NASDAQ now". The NASDAQ is far less expensive than it was back in 2000 when stocks traded at more than 100 times earnings. Today, they trade at a more reasonable 21 times. In addition, the index is less tech-heavy than before, as other sectors have grown in relative importance. One example is biotech, which has increased from 5% to 15% of the NASDAQ in recent years.

The Emerging Market (EM) economies are experiencing a multi-year slowdown in growth coupled with a commodity price crash that indicate the potential for a major correction or recession across the EM and EM-linked economies. In addition, there is growing concern about the U.S. market. The U.S Equity Market has now gone 819 trading days without a 15% correction. The previous long bull run without a correction lasted 1173 days, ending in 2008. Time, alone, is not the only factor leading some strategists to believe a correction is ahead. In the U.S., stock valuations are stretched, manufacturing is declining, and long-term yields have been increasing. Even more concerning is the fact that few investors seem to care as investor complacency remains high even though we are faced with signs that a correction may be on the horizon.

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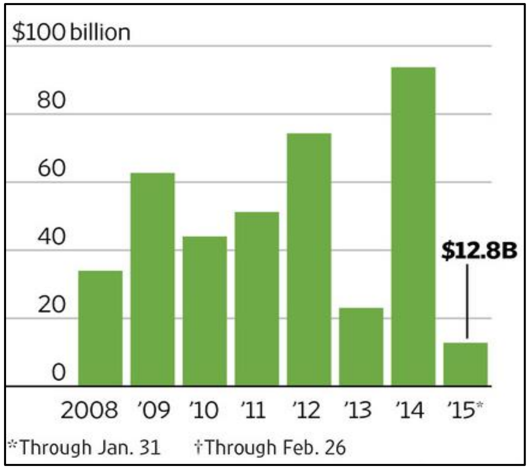
## Net Flows into Global Bond ETFs




Source: Lipper; WSJ

## Global Hotel Room Rates


Source: The Washington Post, Tripadvisor.com

Bond ETFs have received $32 billion in additional funding so far this year, with over half of those assets coming from institutional investors. These investors are turning to fixed income ETFs at a record pace to combat an increasingly illiquid corporate bond market and to stay nimble ahead of any Fed interest rate moves. Even though low interest rates have resulted in a $2 trillion increase in U.S. corporate debt, new government regulations have limited banks' risk taking, leading dealers to significantly cut their inventories. This has resulted in liquidity issues for individual bonds, making it more difficult to buy or sell quickly at a certain price. ETF managers have been successful in selling the idea that their funds don't suffer from these liquidity issues and have publicly-stated prices. However, in the event that investors begin to pull money out of the ETFs, significant outflows may lead to forced selling which will impact the underlying asset prices.

For U.S. travelers heading overseas, there is good news as the U.S. dollar continues to strengthen versus most currencies. Since this time last year, the U.S. dollar is up 21% against the Euro, alone. To attract business, hotel owners are setting significantly lower rates. Hotel prices are down 7% globally, with France down 13%, Germany down 11%, and Russia down over 45%. In addition, lower prices are felt well beyond hotel prices. Food and local products are also more affordable as a result of the stronger U.S. dollar. Latin America, in particular, is gaining in popularity as room rates have fallen 12% and there is a growing sense that security is higher (and, thus, travel is safer) as compared to other developing parts of the world. It's time to break out the passports and head overseas.

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