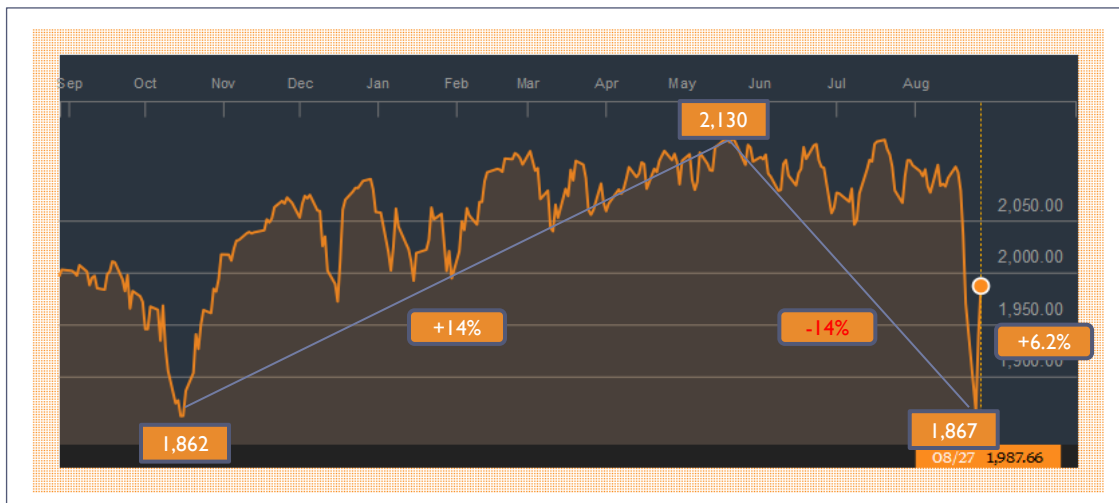


Market Recap

U.S. Markets Retreated to October 2014 Lows and Began Recovery



Source: Bloomberg

Foreign Sales Exposure by S&P Sector

S&P 500 Revenues by Geography (Mkt Wgt)				
	U.S.	Europe	Asia	Other
Energy	38%	18%	7%	38%
Materials	42%	24%	12%	22%
Info Tech	44%	14%	19%	23%
Industrials	57%	17%	14%	12%
Health Care	60%	17%	6%	16%
Cons Staples	63%	7%	3%	28%
Cons Disc	73%	10%	3%	14%
Financials	80%	8%	7%	5%
Utilities	96%	0%	1%	3%
Telecom	100%	0%	0%	0%
S&P 500	55%	13%	8%	24%

Sector	1 Mo Performance
Energy	-6.51%
Materials	-4.64%
Info Tech	-5.30%
Industrials	-22.96%
Health Care	-5.86%
Cons Staples	-5.73%
Cons Disc	-5.13%
Financials	-6.24%
Utilities	-2.46%
Telecom	-3.16%

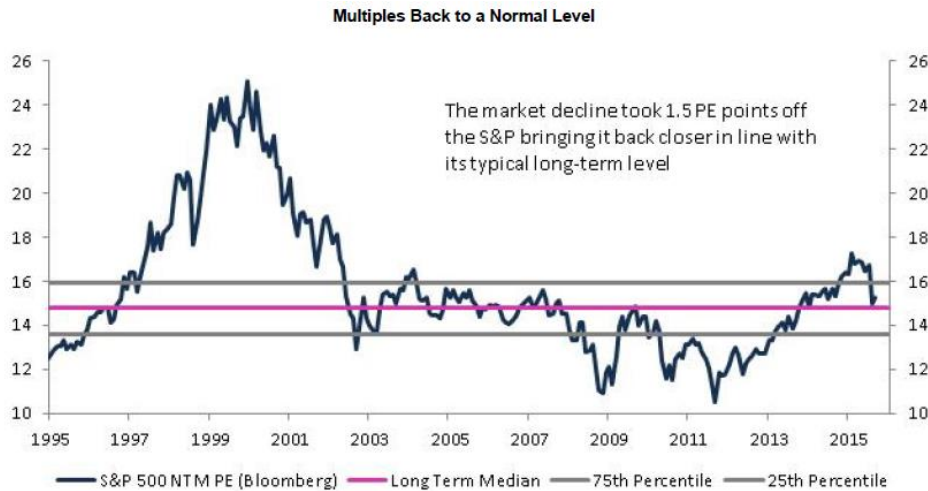
Source: RBC Capital Markets Research, Capital IQ

U.S. stocks started the week firmly in correction territory as the main indexes dropped a cumulative 14% off the high recorded on May 21, 2015. At the end of a six-day rout, the S&P 500 tested the 1862 level last seen on October 15, 2014, but then moved higher. Investors took comfort that the market was able to quickly recover almost 50% of its losses this week. Nonetheless, analysts believe that volatility may continue in the near term as investors remain concerned about global growth due to weakening commodity demand (dramatically impacting prospects for emerging markets) and a slowdown in China, the world's second largest economy (attributable for 30% of global growth). Heightened volatility, together with macro-economic concerns, may lead the Federal Reserve to delay its highly-deliberated step to increase interest rates in the U.S.

With recent turmoil in Asia spilling over into the U.S. equity market, it is interesting to evaluate which sectors of the S&P 500 are most leveraged to foreign macroeconomic changes based on the geographical breakdown of their sales. The two sectors bearing least exposure to China, Utilities and Telecom, suffered the lowest degree of negative performance this past month. Conversely, sectors with high exposure to China, such as Materials, IT and Industrials, lost 4.64%, 5.30%, and 22.96%, respectively. While there are clearly other factors influencing market volatility, the close correlation between Chinese exposure and 1-month performance underscores the view that – at least for some sectors – the weakness in Asia is a critical driver of the recent pull-backs in the U.S. equity markets.

Market Recap

Correction Brings Multiples Back to Historical Levels



Source: Evercore ISI

Oxford Dictionaries Incorporates Popular 2015 Slang



Source: WordItOut.com

S&P 500 earnings growth over the past three quarters has been close to zero, with Price-to-Earnings multiples high (75th percentile) relative to historical levels throughout 2015. Until recently, the market remained unusually steady in the face of various macro headwinds, posting a low single-digit gain on the year. Late last week, the market yielded to pressure from decreasing commodity prices, devaluation of the Chinese yuan, and a slowdown in global growth, and dropped 14% to its lowest level since 4Q 2014. While painful in the short run, we now see valuation levels back to their median historical averages. At the same time, recent upward revisions to domestic GDP growth, European stimulus, and the feeling that the most substantial economic weakness has been contained to Emerging Markets, make this adjustment – and the resultant rationalization of P/E multiples – more palatable.

The Oxford Dictionaries – which documents and preserves modern terms and their usage – recently added dozens of new words and phrases to its ranks. The words were chosen based on their significance, ubiquity, and staying-power in our cultural lexicon. Brace yourselves, Boomers... Many of the additions are slang, characterized by the simple addition, subtraction, or contraction of letters of an existing word or phrase. For parents, a relevant addition may be “*hangry*,” meaning “Bad-tempered or irritable as a result of hunger.” A millennial favorite is “*NBD*” – short for “no big deal.” Even the finance industry got a (surprisingly recent) word: “*Grexit*,” referring to the potential Greek exit from the Eurozone. Workaholics may refer to themselves as “*Al desko*.” And the great equalizer – the “*pocket-dial*” (inadvertently calling someone while your phone is in your pocket or purse) – finally attained the legitimacy it deserves.

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