QUARTERLY ECONOMIC NEWS

Q1

Jan- March 2016

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GDP (lagging indicator)

Q4, 2015 (Third Estimate)

Expands by a rate of 1.4%

EXISTING HOME SALES

Thru February 2016

Down 7.1%: due to supply and affordability problems.

UNEMPLOYMENT RATE

Thru March 2016

Increased to 5.0% (seasonally adjusted).

CONSUMER PRICE INDEX

February 2016

Declined 0.2% (seasonally adjusted).

Economic News

The US economy followed a relatively static Q4 2015 with an equally static Q1 2016. The national unemployment rate started the quarter at 4.9%, but rose 2% through March 2016, ending Q1 2016 where it ended Q4 2015, at 5.0%. According to the BLS, total nonfarm payroll saw increases of 151,000, 242,000, and 215,000 in January, February, and March, respectfully. Through March 2016, the labor force participation rate is 63 percent, up 0.6 percent since September.

Commonly watched stock markets and indexes moved in different directions over Q1 2016, though movement was limited. During Q1 the Dow Jones increased 1.6 percent; the S&P 500 increased 1.06 percent; the NASDAQ Composite decreased 0.57%; the Russell 2000 decreased 1.77 percent; and the NYSE Composite increased 1.87%.

The federal funds (effective rate) climbed 25 percent over the course of Q1 2016, starting at 0.2 percent and ending at 0.25 percent. Many expect to see further increases by year-end.

The average 30-year fixed rate mortgage dropped in Q1 2016, reversing course from the trend of rising rates that dominated 2015. After beginning the quarter at 3.87%, the average 30-year fixed mortgage dropped to 3.69% by March 31, 2016, representing a 4.65 percent decrease.

Index	1st Qtr	1 Year	5 Year	10 Year
Barclays U.S. Aggregate Index	3.03%	1.96%	3.78%	4.90%
MSCI AC World Ex US Net Total Return	-0.38%	-9.19%	0.31%	1.94%
Russell 2000 Total Return	-1.52%	-9.76%	7.20%	5.26%
S&P 500 Composite Total Return	1.35%	1.78%	11.58%	7.01%

The Inversion Reversion

On April 4th, the US Treasury Department announced further action to stop so-called “Inversion Deals.” The rules are intended to make it more difficult for US companies to move their domicile out of the United States where companies are currently paying a corporate tax rate of 35%, thereby shifting profits to companies in lower tax countries in a move that has been recognized as earnings stripping. After the announcement, one of the most notable recent merger deals between Pfizer and Ireland-based Allergan PLC was terminated after Pfizer decided to pull out of its takeover of Allergan. While cheered by the White House, IRS and others, some critics jeered the new rules as causing a

(continued)

Thomas Financial

Life ▪ Health ▪ Wealth

“In the short run, the market is a voting machine but in the long run, it is a weighing machine.”

Benjamin Graham

competitive disadvantage to companies in the global marketplace. The Treasury did state that they will continue to explore additional ways to address tax inversions going forward.

Panama Papers Paranoia

The recent leak of confidential documents from the law firm Mossack Fonseca, based out of Panama, has shed light onto the structure and dealings of high profiled business people and politicians. Offshore companies have been seen as a haven for ultra-high net worth individuals and businesses looking to operate within tax-friendly environments. While these arrangements may be legal, the opacity surrounding their structure and beneficiaries have prompted calls for significant international tax reform.

While a majority of the 11 million documents included within the leak stand to be analyzed, one political regime can already be counted amongst the casualties. Icelandic Prime Minister Sigmunder Gunnlaugsson tendered his resignation amid a firestorm of public protests over his involvement with an undisclosed offshore investment. Many political figures are bound to feel pressure under scrutiny in the coming weeks and months. PM of the UK, David Cameron, is also under fire for offshore holdings in his father’s company, which was sold in 2010. It remains to be seen whether he can successfully weather this storm.

With ties that can be traced back to the 2008 financial crisis, the Panama Papers have revealed that Mossack Fonseca potentially facilitated transactions that inflated the economic bubble. Companies with shared beneficiaries made massive loans or transactions to each other, contributing to an overheated market. With this in mind, protection is unlikely to be given to those with undisclosed beneficial positions

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