



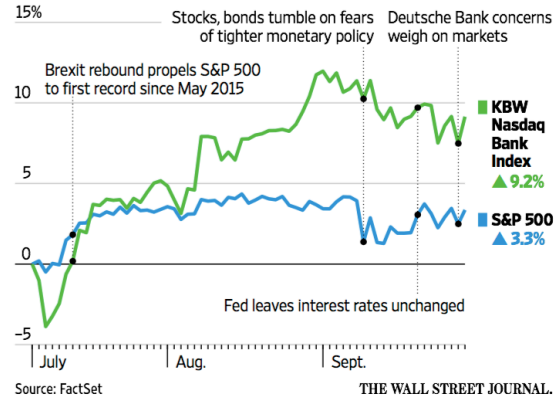
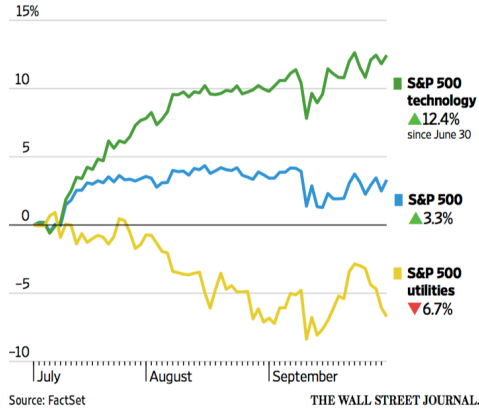
FRIDAY SEPTEMBER 30, 2016

	PRICE	CHANGE	VOLUME	UP/DN %	UP/DN VOL %
Dow:	18,308.15	+164.70	4.16	242	294
Nasdaq:	5,312.00	+42.85	2.06	269	323
S&P 500:	2,168.27	+17.14			
10 yr note:	1.61%	+5bps			
Volatility:	13.29	-0.73			
EUR-USD:	1.123	+0.001	Crude Oil:	48.24	+0.41
USD-JPY:	101.35	+0.24	CRB-Com:	186.32	+0.49

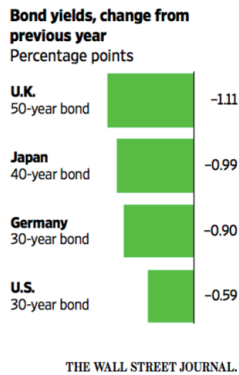


	WEEK:	YTD:
DOW:	+0.17%	+5.07%
NASDAQ:	+0.12%	+6.08%
S&P 500:	+0.19%	+6.08%
RUSSELL 2000:	-0.24%	+10.20%

Markets recover yesterday's losses as the Dow's 0.9% rally leads a 0.8% gain in the S&P 500 and Nasdaq. Nevertheless volatility (-5%) remains relatively elevated after yesterday's 13% jump. The S&P 500 now rests just 22 points below its record August 15 high. Deutsche bank opened 9% lower today, hitting its lowest level in decades, but rebounded on reports a potential \$14 billion settlement could be settled for as low as \$5.4 billion. Financial fears led the financial sector (-0.7%) lower this week, even as utilities (-3.8%) / telecom (-1.3%) also fell. Nevertheless WTI crude jumped 8% on OPEC optimism. Asian (-1.5%) and European (-0.5%) stocks fell this week.



The third quarter was remarkable, beginning with massive Brexit volatility only to settle into a record lull over the summer. The S&P 500 (+3.3%) and Dow (+2.1%) gained during the quarter, however the Nasdaq (+9.7%) was center stage, logging its best quarter since 2013. Speculation over higher rates dominated the quarter, sending utilities (-6.7%) lower and paring their ytd gains to 13%. Consequently the financial sector (+9.2%) gained, logging its best quarter in 3 years, but remains 3.1% lower so far this year. Global bank stocks have struggled as well, with European bank shares still down 28% despite a 11% rise in the third quarter. Similarly Japanese bank shares are down more than 30% this year despite a 12% rally in the third quarter. Treasuries saw immense volatility during the third quarter, closing at a record low of 1.366% in July following the Brexit vote but closed the quarter relatively unchanged. Traders now see a 62% (CME) and 59% (Bloomberg) chance of a rate hike in December.



Signaling fundamental economic growth, the DJ transports (+7.9%) outpaced broader market gains, while markets in Japan (+5.6%), China (+2.6%) and Europe (+4%) also gained. The S&P now trades at 19.99 times its trailing 12-month earnings, up from 17.15 a year ago and a 10-year average of 15.7. Earnings are expected to fall for the 6th consecutive quarter, a record stretch since FactSet began tracking data in 2008 (WSJ). Nevertheless the third quarter could end this earnings recession as earnings usually come in 2.7% higher than expectations.

A record 54% of fund managers in September said both equities and bonds are overvalued. The shares of managers saying equities were overvalued was the highest since May 2009 (BofA, WSJ).

ECONOMIC REPORTS:

August Personal Income & Spending: +0.2%, +0.0%. Consumer spending was flat in August, the weakest monthly gain since March. Adjusted for inflation, consumer spending fell 0.1% in August, leading real consumption growth to a 2.7% expected gain in the third quarter, down from the second quarter's 4.3% rate. PCE consumer inflation gained 0.1% and 1% over the past year while core prices gained 0.2% and 1.7% over the past year. Core price

