THE AUSTIN ADVISOR

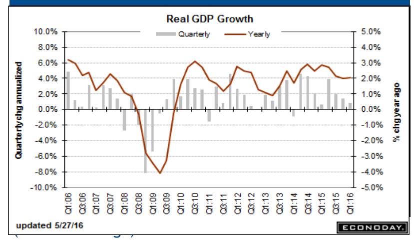
June 27, 2016

Markets	20-Jun	21-Jun	22-Jun	23-Jun	24-Jun	YTD%	31-Dec-15
DJIA	17,804.87	17,829.73	17,780.83	18,011.07	17,400.75	-0.14%	17,425.03
S&P 500	2,083.25	2,088.90	2,085.45	2,113.32	2,037.41	-0.32%	2,043.94
NASDAQ	4,837.21	4,843.76	4,833.32	4,910.04	4,707.98	-5.98%	5,007.41
SNL Bank Index	390.16	392.07	391.01	401.73	374.71	-13.16%	431.48
Fed Funds Rate	0.38%	0.38%	0.38%	0.39%	0.39%		0.35%
1 Month LIBOR	0.45%	0.45%	0.45%	0.45%	0.45%		0.43%
3 Month LIBOR	0.65%	0.64%	0.64%	0.64%	0.62%		0.61%
3 Month T-Bill	0.28%	0.27%	0.27%	0.31%	0.27%		0.16%
1 Year Treasury	0.56%	0.57%	0.56%	0.58%	0.48%		0.65%
2 Year Treasury	0.74%	0.76%	0.75%	0.78%	0.64%		1.06%
3 Year Treasury	0.87%	0.89%	0.88%	0.92%	0.76%		1.31%
5 Year Treasury	1.17%	1.22%	1.20%	1.25%	1.08%		1.76%
10 Year Treasury	1.67%	1.71%	1.69%	1.74%	1.57%		2.27%
30 Year Treasury	2.47%	2.50%	2.50%	2.55%	2.42%		3.01%

WEEKLY HIGHLIGHT

The unexpected vote in England to exit the EU changes everything

REAL GDP-FINAL



Economy	Week of June 20, 2016	
Existing Home Sales	5.530 million	The 1.8% increase for the month maintains the solid recovery in the housing sector and brings the Y/Y growth to 6%
New Home Sales	551,000	This highly volatile data, due to small samples, remains above the monthly average of the last three years
Leading Indicators	-0.2%	The index dropped due to the rise in unemployment claims, which have since come back down
Durable Goods Orders	-2.2%	Manufacturing remains weak, and business fixed investment leads the way down on low business confidence

MONDAY MUSING

I have trouble remembering the passwords I have assigned to all my apps and websites. I have solved the problem by making all of them the same. I am using "incorrect" as my password. This way, no matter what I type when asked for the password, the response helps. The computer comes back with "Your password is incorrect". Simple idea to makes your life simple.

Calendar	Release	Covering	Week of June 27, 2016
Real GDP-Final	Tuesday	1st Qtr.	A second upward revision to 1% from 0.8% last reported is expected, with housing providing the boost
Consumer Confidence	Tuesday	June	The index reading was made before the events of last week, but is expected to up to 93.3 from 92.6
Personal Income	Wednesday	May	Income growth is the key to better overall growth and at 0.3% as expected, that growth is continuing
Personal Spending	Wednesday	May	Spending was up a huge 1% in April and is expected to be up a strong 0.4% for May
PCE Core Price Index	Wednesday	May	Another month of 0.2% inflation keeping the year/over/year increase at 1.6%, or below the Fed's target of 2%
Motor Vehicle Sales	Friday	June	While production has slowed, auto sales continue at a strong pace with another month of more than 17M annual rate
ISM Index	Friday	June	The index has been above breakeven of 50 for the past four months, and is expected to at 51.5 for June

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Commentary

All bets are off as a result of the vote in England to exit the EU. The fear of the uncertainty of the impact to global economic conditions of this event will keep **the Fed** on the sidelines for the remainder of this year. The impact will be in currency markets, with the dollar stronger and **U.S. market interest rates** dropping as capital flows into the safe haven of treasuries over the next few months. This will reduce export opportunities and increase the **trade deficit** this year. The truth is no one knows what this decision will do to global growth, but everyone believes it is not positive. Intermediate and long-term market interest rates have already dropped to near record lows, with the yield on the five-year treasury below 1% early Monday morning. We are near levels not seen since 2009 at the bottom of the Great Recession. This is in spite of continuing improvement in our economy.

The **housing data** was up as reported last week. **Consumer spending** has jumped in the last two months, and is expected to be up again for May when reported this week. **Auto sales** remain above 17 million on an annualized basis, even as production has slowed. Incomes have risen at a better pace this year than any year in the last five. **Inflation** is rising. The core **PCE price index** is due out this week, with a consensus forecast of a 0.2% rise for the month. Should this be correct, it would result in an increase of 2.25% over the first five months of this year and 1.6%. **Real GDP** for the first quarter of this year will be revised upward to above 1%, or just below the 1.4% growth of the last quarter of last year. None of this data makes any difference to the Fed since it is all from before the vote last week. Even a higher **consumer confidence index** report and lower **unemployment** claims data reported over the last month, will not cause the Fed to move given the uncertainty of the impact of volatility in global financial markets.

We have eliminated any expectation of a Fed move this year from our forecast. The Fed will wait to assess conditions before making any move. This means the very low **loan rates** being offered by many banks will continue to put pressure on earning asset yields for the rest of the year. We do not believe the exit from the EU by England will have a major impact to the U.S. economy other than keeping interest rates low. It is a global financial market and central banks will need to take steps to calm markets in the short run. Intervention by the European central banks by adding additional liquidity ,some of which will flow into U.S. treasuries, will drive market rates down further as investors take markets to the extreme. Buckle your seat belts as it will be a rocky trip before we reach support levels.

Trusted Advisor to Financial Institutions
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