



Portfolio Manager Weekly Meeting Notes

February 23, 2017

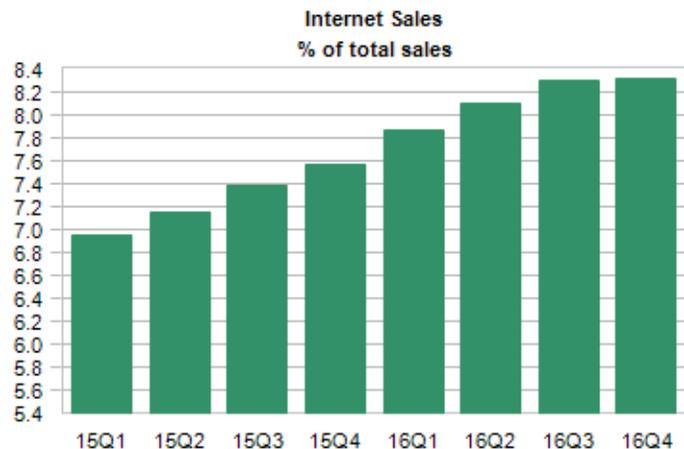


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E-commerce sales gain share

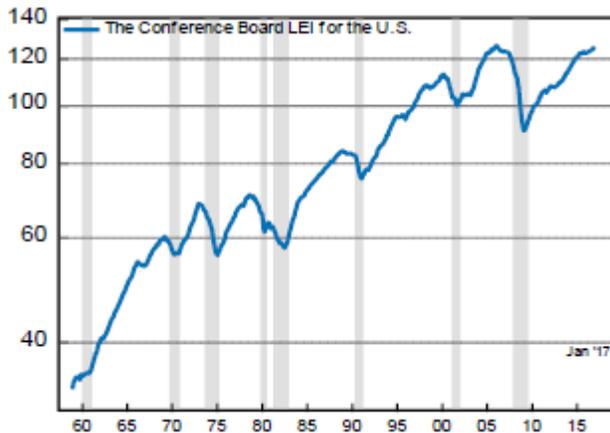
- The latest data from the U.S. Census Bureau shows that internet sales are not slowing down. During the fourth quarter of 2016, total e-commerce sales rose 1.9% to a record \$102.7 billion. That figure is 14.3% higher than the fourth quarter of 2015 and represents 8.3% of all retail sales. While e-commerce has been steadily chipping away at traditional retailer market share – the adoption of internet sales by more traditional bricks and mortar retailers like Walmart or Nordstrom has slowed the rate of growth.



Source: Moody's

Leading Economic Indicators suggest no recession in sight

- The Conference Board Index of Leading Economic Indicators rose 0.6% in January, the fastest pace since June 2015.
- The gain was broad-based with 8 of the 10 components of the LEI making positive contributions. Only one component was negative and one was unchanged.



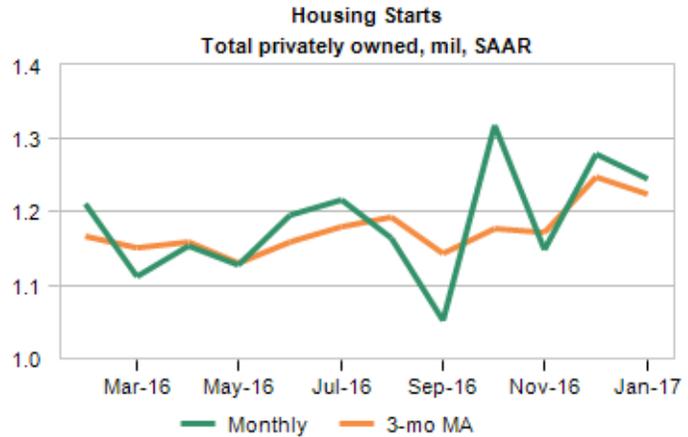
Source: Conference Board

- The positive contributors from highest to lowest were: The interest rate spread between 10yr Treasury bonds and the Fed Funds rate narrowed. Building permits increased, and weekly claims for unemployment fell. The ISM new orders index rose, as did average consumer expectations for future business conditions. Stock prices rose and the leading credit index strengthened. New orders for consumer goods also increased.

- A slight decline in new orders for non-defense capital goods, excluding aircraft, was the only detractor for January. Average weekly hours for production workers was unchanged at 41.8.

Weather slows housing starts slightly, solid trend in place for 2017

- Housing starts slipped a bit in January, but most of the decline was weather related. Multi-family continues to be volatile, dropping 48,000 to 423,000 while single family gained a modest 15,000 or 1.85% to 823,000.
- Permits for single family homes fell 2.6% while multifamily permits rose 19.84%.



Source: Moody's

Completions were a bit lower but the net increase in permits means the housing industry is still in good shape for 2017.

Jobless claims bounce along the bottom

- Initial jobless claims increased just 5,000 last week to 239,000, leaving the four-week moving average unchanged at 234,000. Continuing claims fell 3,000 to 2.08 million. This is the 102nd consecutive week that claims have remained below 300,000.

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