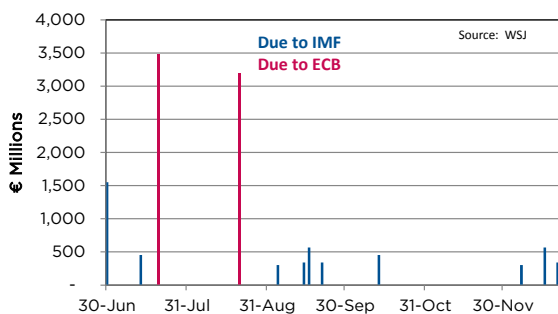


## ECONOMIC REVIEW JUNE 2015

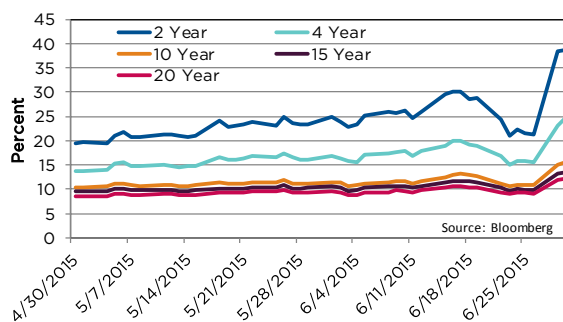
The close of June saw Greece peering over the cliff of insolvency as debt payments loomed. A €1.55 billion payment to the IMF was missed and upcoming payments to the European Central Bank for bailouts in 2010 and 2012 may not be made. Greece was the first developed nation to miss an IMF payment. Greek Prime Minister Tsipras ordered a referendum for July 5 regarding whether or not to accept conditions set forth by creditors in exchange for loan modifications to avoid further defaults. Tsipras urged voters to reject the proposal, though a rejection of the referendum likely will hasten the exit of Greece from the Eurozone. Following eased terms on previous loans, including write-offs and interest rate reductions, Greek finance ministers claimed that creditors had not sacrificed enough to help Greece solve its financial woes. During recent negotiations with the IMF, Greek leaders offered to raise taxes and pension contributions in order to raise revenue for debt repayments. Because of the widespread cultural acceptance of avoiding tax payments in Greece and inability of creditors to enforce tax hikes, the IMF insisted that pension payments be cut in order to free up money for debt payments. Pension payments in Greece account for 16% of GDP, and are viewed by its citizens as untouchable. Greek citizens, fearful of a financial collapse, rushed to withdraw money from banks. As ATMs ran dry, banks limited withdrawals to €60/day and were ordered to close from June 29 to July 6, following European finance ministers' rejection of an emergency bailout extension. With a shuttered stock market and emptied stores, the Greek economy is at the beginning of its darkest days.

### 2015 Greek Debt Repayment Schedule



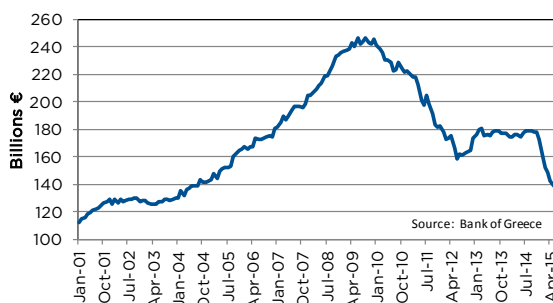
The Chinese stock market fell sharply amidst ongoing struggles to maintain high growth rates in China. The People's Bank of China (PBOC) cut interest rates for the fourth time in under a year. Simultaneous 25 bps cuts in the one-year lending rate and deposit rate brought the benchmarks to 4.85% and 2.0%, respectively. A drop in reserve requirements was paired with rate cuts for the first time since October 2008. Weakness in Europe continued to dampen China's exports. China is struggling with huge over-capacity across many industries and is now dealing with the consequences of overbuilding cities and infrastructure. Many trading partners are considering limits on certain Chinese goods as production has not slowed to the level of demand and goods are being sold at or below cost. China's leaders maintain their power by promoting manufacturing and exports and are reluctant to see output drop, even though the ramifications are economically damaging.

### Greek Bond Yields Soar



As gasoline demand growth in the U.S. has slowed, the EPA remained wary to alter the ethanol usage mandate. Implemented in 2007, oil refiners were mandated to blend an ever-increasing volume of ethanol into gasoline. Because gasoline demand did not keep pace with expectations and ethanol is limited to a 10% blend in gasoline, it was impossible for refiners to use the mandated amount of ethanol. However, refiners were still expected to buy the mandated volume of ethanol. The EPA recently proposed lowering the ethanol volume requirement to more closely mirror actual demand. Farmers virulently opposed the proposed change and pushed for an even higher ethanol volume mandate. Ethanol is used in gasoline because it lowers emissions, though the energy contained in ethanol is lower than pure gasoline. Because ethanol absorbs water, a higher concentration (>10%) in gasoline leads to corrosion in fuel systems, and increases the likelihood of costly repairs.

### Greek Bank Domestic Deposits



The Supreme Court closed its session with several major rulings. One ruling legalized same-sex marriages nationwide. The wedding industry likely will benefit from an increase in activity. A second ruling delayed the EPA from implementing certain power-plant emission restrictions. The EPA was chastised by the court for greatly diminishing the economic impact of the regulation on power producers and their customers. The third ruling allows federal ObamaCare subsidies to continue for the insured in states that use the federal insurance exchanges. The court aimed to extend Congress' intent to cover citizens in all states after wording in the original law did not expressly permit subsidies in states without their own exchanges. A fourth ruling overturned an FDR-era program that sought to control certain agricultural commodity prices. A raisin farmer in California was fined by a production board for not turning over "excess" raisins to the board. The board's mandate was to regulate raisin prices by controlling supply. It confiscated farmers' output that it deemed could cause prices to drop if sold on the open market. The court ruled that the government board took property without just compensation.

The U.S. merger trend shifted its focus toward health insurers. UnitedHealth, Cigna, Aetna, Humana and Anthem were all eyed as players in potential mergers. Just as hospitals have merged to manage costs and pricing power, insurers have sought combinations which can provide the same benefits. A growing number of people moving to Medicare and the addition of higher-cost insured members have pushed the insurers toward mergers.

### Market Returns

	As of June 30, 2015		
	June	3 Months	YTD
S&P 500	-1.9%	0.3%	1.2%
Russell 1000 Value	-2.0%	0.1%	-0.6%
Russell 1000 Growth	-1.8%	0.1%	4.0%
Russell 2000	0.8%	0.4%	4.8%
MSCI EAFE	-2.8%	0.6%	5.5%
Emerging Markets	-2.6%	0.7%	3.0%
Barclays Agg	-1.1%	-1.7%	-0.1%
3-Month T-Bills	0.0%	0.0%	0.0%