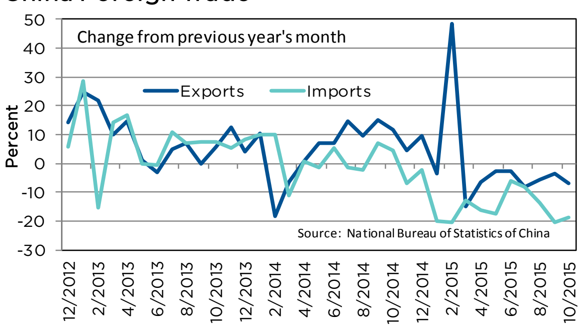
ECONOMIC REVIEW NOVEMBER 2015

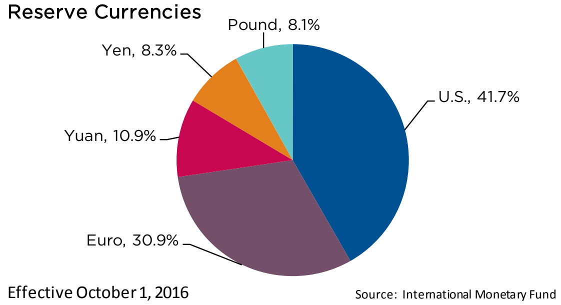
November saw an escalation of terror attacks and military retaliation after Syria-based ISIS attacked civilians in several Paris locations. At the end of October, a bomb brought down a Russian plane leaving Egypt following an escalation of Russian military activity in Syria. A tripartite civil war in Syria drew in military resources from France, Germany, Russia, England, Turkey, the U.S. and others. While all the countries are fighting ISIS, Russia is supporting Syrian leader Bashir al-Assad, and the rest are neutral or helping the opposition forces. Owing to conflicting allegiances, Turkish forces downed a Russian warplane, leading to a tense response from Vladimir Putin. Because the world oil supply is ample, attacks targeting ISIS's oil supplies have not impacted prices. U.S. gasoline prices were below $2/gallon in many parts of the country, a level not seen in several years. Japan's economy shrank during Q3, sending the country into its third recession in four years. The government responded with plans to increase social benefit spending. Japan faces a worsening labor shortage, following decades of low birth rates and long life expectancies. China recently eased its one-child birth policy to combat a rapidly aging population. The U.S. Dept. of Commerce proposed tariffs of up to 236% on Chinese corrosion-resistant steel after U.S. producers requested an inquiry into price movements that have caused much domestic steel manufacturing capacity to be idled. China's overcapacity will continue to burden global industries with artificially low prices until state support is removed and banks are not pushed to loan to manufacturers. The Federal Reserve will meet on December 16 to decide if it will raise interest rates.

China Foreign Trade

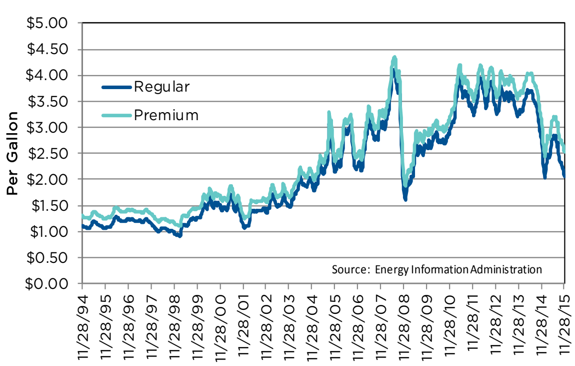


IMF Special Drawing Right Basket

Reserve Currencies



U.S. Gasoline Prices



Market Returns

As of November 30, 2015

	November	3 Months	YTD
S&P 500	0.3%	6.1%	3.0%
Russell 1000 Value	0.4%	4.7%	-1.7%
Russell 1000 Growth	0.3%	6.2%	7.2%
Russell 2000	3.3%	3.7%	0.6%
MSCI EAFE	-1.6%	0.8%	0.5%
Emerging Markets	-3.9%	-0.1%	-13.0%
Barclays Agg	-0.3%	0.4%	0.9%
3-Month T-Bills	0.0%	0.0%	0.0%

The International Monetary Fund (IMF) voted to include the Chinese yuan in its currency basket called the Special Drawing Right (SDR). The SDR bestows credits to participating countries that contribute to the IMF, allowing the credits to be exchanged for currency to facilitate trade or maintain exchange rates. Other basket currencies are the U.S. dollar, Japanese yen, U.K. pound and the euro. China lobbied for inclusion so that its currency will be more widely accepted as a reserve currency. The yuan's acceptance as such depends on the ability of China's government to resist substantial interference in the market-based valuation changes of the yuan and an easing of foreign flow restrictions.

Exporters dependent on China for significant business worried about future yuan depreciation. As China struggles to find growing markets for its manufactured wares, it increasingly sends signals that it is prepared to let its currency fall further in order to regain foreign market share. The August currency valuation shift is showing ramifications for U.S. exporters, with analysts citing weaker performance and falling profit margins.

U.S.-domiciled businesses have sought more favorable tax treatment through a process known as inversion. In this action, the U.S. company will combine with a foreign company and move its domicile to the foreign company's country. So long as less than 80% of the combined company shares are held by former U.S. parent company shareholders and over 25% of the combined company's business activity occurs in the home country of the foreign parent company, the tax benefits are allowed largely to be realized. Since the U.S. has one of the highest corporate tax rates in the world, companies see inversion as a way to potentially save billions when taxed at the lower foreign rate. The Treasury Department issued further guidance limiting tax benefits for inversions that domicile in a third country that is different than the home country of the two parent companies. This is usually done to obtain a lower tax rate for both parent companies. Businesses have lobbied for the U.S. to lower its corporate tax rate in order to maintain competitiveness and allow free movement of capital earned abroad.

As premiums are announced for 2016 marketplace healthcare plans, also known as Affordable Care Act plans, many consumers in the individual market are seeing rate increases of over 15% on gold-level plans. Insurers underestimated the expected healthcare services demand of consumers new to the insurance market. Losses of several hundred million dollars were reported by insurance companies on those policies. With new data, combined with a lack of young, healthy consumers joining the pools, the premiums may not yet be high enough for insurers to cover their costs. High premiums and very high deductibles are a hindrance to healthy people buying policies, as the fines for not purchasing insurance remain lower than the insurance costs, and individuals can purchase policies as they need coverage, due to the lack of pre-existing condition exclusions. UnitedHealth announced its intention to exit the exchanges in 2017. Several state collectives already have gone out of business, leaving many consumers with few relatively affordable options.