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INVESTMENT COMMITTEE MARKET COMMENTARY

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U.S. EQUITIES

U.S. stocks rallied to end the week on renewed hopes that debt-laden Greece will reach a deal with its creditors this weekend and stave off an exit from the euro-zone.

a) ***Dow Jones +0.19% MTD +0.87% YTD +0.90%*** b) ***S&P 500 +0.03% MTD +0.71% YTD +1.95%***
c) ***Russell 2000 +0.31% MTD -0.14% YTD +4.61%***

Drivers: I) ***Fed Chairwoman Janet Yellen said last week she saw signs the economy was improving and expects a rate hike to be needed this year.*** "I expect that it will be appropriate at some point later this year to take the first step to raise the federal-funds rate and thus begin normalizing monetary policy". Yellen said she saw "hints" of wage gains in the recent data and "encouraging" data that consumer spending is picking up. The Fed chairwoman did not seem in a rush to move and he remarks also suggest a preference for one rate move this year.

II) ***The Government Development Bank of Puerto Rico announced that it will soon begin buying back outstanding municipal bonds in a move to refinance its debt***, according to the Electronic Municipal Market Access Friday. Some purchases will be privately negotiated, while others will be made in the open market. ***The development bank or other government entities will offer cash, new securities, or sometimes a combination of both, depending on the availability of attractive refinancing options, at times values below par.***

III) ***U.S. services and other non-manufacturing companies reported that growth slightly picked up in June***, the Institute for Supply Management report last week. ***The ISM services index was 56% in June, compared with 55% expected by economists. May's reading was 55.7%.*** ISM reported that its gauge of new orders for non-manufacturers rose 0.4 points to 58.3% in June, and the gauge of business activity/production increased two points to 61.5%.

IV) ***Job openings at U.S. workplaces rose to a record high of 5.36 million in May (data go back to the end of 2000) from 5.33 million in April***, the U.S. Department of Labor reported. Compared with same period in the prior year, May's job openings rose 16%, as private-sector openings increased 16% to 4.85 million, and government positions rose to 511,000 from 430,000. With 8.67 million unemployed people in May, there were about 1.6 potential job seekers per opening, matching April's ratio.

V) ***Equity prices for the month of July are mixed, with Small-Cap and Growth along with Financials and Consumer Staples leading equity price performance. The laggards for the month are Large Cap and Value Stocks along with Basic Materials and Energy.***

Capitalization: ***Large Caps +0.64%*** (YTD +2.36%), Mid-Caps +0.31% (YTD +2.67%) and ***Small Caps -0.14%*** (YTD +4.61%). Style: ***Value -0.66%*** (YTD +0.70%) and ***Growth +0.80%*** (YTD +7.69%). Industry Groups (Leaders): Healthcare +1.05% (YTD +10.71%), Consumer Discretionary +1.49% (YTD +8.29%), Communication +0.36% (YTD +3.39%), ***Consumer Staples +3.18%*** (YTD +2.55%), Technology +0.06% (YTD +1.13%), and Financial Services +0.94% (YTD +0.50***%)***. (Laggards): ***Utilities +3.64%*** (YTD -7.41%) and ***Energy -2.25%*** (YTD -5.96%), Industrials +0.15% (YTD -3.32%) and ***Basic Materials -1.36%*** (YTD -0.94%).

EUROPEAN EQUITIES

The Stoxx Europe 600 Index advanced last week from 383.42 to 388.80, to close higher by +1.40%. European stocks surged Friday, and locked in weekly gains, on growing optimism that Greece's new reform proposals will lead to a bailout deal for the debt-burdened country. Year to date the Stoxx Europe 600 is up +13.50% (MTD +1.58%).

Drivers: I) ***A new Greek proposal for economic policy overhauls and budget cuts appears to have moved closer to creditors' demands on some of the most divisive issues, but there was no immediate word on whether it would be enough to unlock a new bailout package***. The 13-page plan, submitted Thursday night to Greece's euro-zone creditors, the International Monetary Fund and the Greek parliament, is likely to determine the country's future in

Europe's currency union. Eurozone finance ministers and European leaders are set to assess the proposals during crisis meetings on Saturday and Sunday.

II) ***Investors jumped into southern European government bonds last Friday, as increased hopes for a Greek bailout deal calmed fears over contagion.*** The Greek government last Thursday submitted a new reform proposal to the euro-zone, which appeared to moved closer to creditors' demands. ***The yield on 10-year Italian government bonds -0.70% fell 9 basis points to 2.072%, while that for 10-year Spanish lost 11 basis points to 2.055%, according to Tradeweb.*** As part of the risk-on sentiment across the euro-zone, investors sold off safe-haven German government bonds with the 10-year yield climbing 9 basis points to 0.819%.

III) ***Performance of European Indexes for the week, month-to-date and year-to-date. The EuroStoxx 600 Index rose by +1.40% for the week (MTD +1.58% YTD +13.50%).***

ASIAN EQUITIES

Asian equity markets were lower last week as tumbling shares in China caused by the continuation of margin calls, have negatively affected the region's markets. The Dow Jones Asia Pacific Index was down -3.72% for the week.

Drivers: I) ***The Shanghai Composite rallied 5.9% and 5.8% last Thursday and Friday, after suffering losses in eight of the 10 previous trading days. Still, the Index has lost around a third of their value in the past month***. Some companies that had halted trading of their shares lifted suspensions, and their stock prices immediately rose by the maximum 10%. These include Hangzhou Iron & Steel Co., Zhejiang Huahai Pharmaceutical Co. and Leshi Internet Information and Technology Corp. Beijing. A total of 1,473 companies, or 51.1% of all stocks on the Shanghai and Shenzhen markets, remain suspended.

II) ***The Bank of Japan's latest quarterly "tankan" survey showed that large companies expect to increase capex by 9.3% in the 12 months ending March 2016, a sharp change from the 1.2% cut they said they planned for the year in the previous survey.*** Some economists say a sharp yen weakening may be prompting manufacturers to shift some production back home. Others say there will likely more demand from businesses to replace obsolete machineries even if they aren't looking to spend for growth.

II) Performance of Asian Indexes for the week, month-to-date and year-to-date. ***The Nikkei was lower by -3.70% (MTD -2.52% YTD +13.35%), the Hang Seng Index was down by -4.46% (MTD -5.89% YTD +5.49%) and the Shanghai Composite rebounded by +5.18% (MTD -7.98% YTD +19.88%).***

FIXED INCOME

Treasury yields finished Friday's session at a one-month high, recording the largest one-day gain since May 11 as investors dumped bonds on rising hopes Greece will strike a weekend debt deal with its creditors.

Performance: I) ***The 10-year Treasury yield was higher last week, ending at 2.399% up from 2.383%. The 30-year yield rose last week climbing from 3.190% to 3.192%.***

II) Performance for the week, month-to-date and year-to-date***. Barclays US Aggregate Bond*** was down -***0.11%*** last week, ***MTD -0.32% and YTD -0.42%***. The ***Barclays US MBS TR fell by -0.07%*** last week, MTD ***-0.28% and YTD +0.02%***. The ***BofAML US HY Master II was lower last week by -0.38%, MTD -0.10% and YTD +2.38%.***

COMMODITIES

The DJ Commodity Index was lower last week falling from 316.28 to 308.03 and is down month to date -3.36% (YTD -4.83%) due to uncertainty regarding the potential global economic impacts of the Greece turmoil and China's equity market meltdown.

Performance: I) ***Oil prices fell last week as the total number of active U.S. rigs drilling for oil climbed as of July 10, according to data from Baker Hughes BHI, -0.73% released Friday.*** That marked the second weekly increase in a row. The number of active oil drilling rigs saw a weekly climb of 5 to 645. For the week the price of oil fell from $59.65 to $55.52 per barrel.

II) ***The ICE USD Index, a gauge of the greenback's movement against six other major currencies, was lower falling from 95.95 to 95.78 for the week. The USD ended the week mixed against the euro and yen last week after Federal Reserve Chairwoman Janet Yellen said she expects a rate hike is needed this year.*** For the week the Yen strengthened rising from ¥122.86 to ¥122.78 and the Euro rose from 1.1114 to 1.1155 against the USD.

III) ***Gold fell last week as the rally in U.S. equities and comments from Federal Chairwoman Janet Yellen helped dull gold's appeal, pulling prices modestly lower for the session and raising the weekly loss to 0.5%***. For the week gold climbed dropped from $1173.7 to $1167.8.

HEDGE FUNDS

Hedge funds returns in July are mostly lower with core strategies Macro/CTA higher, while Equity Hedge, Event Driven, Distressed, and Relative Value are lower for the month.

Performance:
I) ***The HFRX Global Hedge Fund Index is lower at -0.56% MTD and +0.70% YTD.***
II) ***Equity Hedge is down at -1.41% MTD and has risen +0.92% YTD.***
III) ***Event Driven has declined MTD -0.83% and is higher YTD +0.60%.***
IV) ***Distressed Debt is down -0.16% MTD and is positive YTD +0.70%***
V) ***Macro/CTA is higher at +0.40% MTD and is down -0.95% YTD.***
VI) ***Relative Value Arbitrage has fallen by -0.10% and is up +1.73% YTD.***

ECONOMIC DATA WATCH AND MARKET OUTLOOK

Heading into next week earnings season will be in full gear this week, as a handful of Dow Jones Industrial Average components report along with several banks and tech companies like Google Inc. ***S&P 500 earnings are expected to decline by 4.4%, which would be the first decrease in earnings since the third-quarter of 2012.***

That, however, has been par for the course as the average lowball for earnings over the past four years. ***Since 2011, the average underestimation of earnings for the S&P 500 was been 4.5%, according to Birinyi Associates. The first quarter was expected to see a similar earnings drop, only for it eke out a slight gain by the end of the season.***

On the economic data front Fed chief Janet Yellen delivers her semiannual testimony on the economic outlook and monetary policy to the House Financial Services Committee on Wednesday and the Senate Banking Committee on Thursday***. Ms. Yellen may decide to comment on international developments in Greece and China and how those issues might influence policy, if at all.***

The Commerce Department reports June sales on Tuesday, and economists expect the month will see a smaller gain after shoppers spent freely in May. ***The median forecast expects total sales increased 0.3% last month after a 1.2% gain in May.*** Excluding vehicles, sales are projected to be up 0.5%, after a 1.0% gain.

Commerce will also weigh in on June building activity next Friday. Economists expect residential starts bounced back 8.1% in June to an annual rate of 1.12 million, after starts plunged 11.1% in May. The Labor Department reports three price indexes. Import prices (Tuesday), the producer-price index (Wednesday) and the consumer-price index (Friday) should show the effects of rising energy prices. For most inflation-watchers, the CPI report carries the most weight. ***Economists expect the top-line CPI increased 0.3% in June, on top of an energy-related 0.4% gain in May.***

The Fed releases the beige book Wednesday ahead of its July 28-29 policy meeting. A few points worth keeping note of: companies increasing wages to attract or keep workers, worries about the strong dollar hurting export activity and potential damage to manufacturing and consumer spending from the still declining energy sector.