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INVESTMENT COMMITTEE MARKET COMMENTARY

JULY 27, 2015 www.clearbrookglobal.com

U.S. EQUITIES

U.S. stocks suffered their largest weekly loss in months due to disappointing earnings results from companies such as Apple Inc., Caterpillar and IBM as well as a dramatic selloff in commodities, which brought back concerns over a slowing growth in the global economy.

a) ***Dow Jones -2.84% MTD +0.17% YTD -0.14%*** b) ***S&P 500 -2.19% MTD +0.90% YTD +2.14%***
c) ***Russell 2000 -3.23% MTD -2.19% YTD +2.46%***

Drivers: I) ***Corporate earnings are showing that China is no longer growing at a 7% rate***, and no longer fueling commodities demand. Thus, **companies that were dependent on that growth, such as materials and industrials, are suffering**. Meanwhile, the positive impact of lower oil prices has not materialized. Mixed earnings as well as concerns over economic growth in the U.S. and elsewhere have left investors pessimistic.

II) ***Sales of new single-family homes in the U.S. fell 6.8% in June to an annual rate of 482,000, the slowest pace in seven months***, with drops in three of four regions, the government reported Friday. Economists had expected a sales rate of 550,000 in June, compared with an original estimate of 546,000 for May. The median price of new homes fell to $281,800 in June, down 1.8% from a year earlier***. Recent new-home sales and building rates remain far below long-term averages. But a strong jobs market is expected to support rising home sales by helping more families afford ownership.***

III) ***The majority of commodities have fallen in value this year as expectations the Federal Reserve will move later this year to raise rates, potentially leading to more strength for the U.S. dollar*** that gets much of the blame. Most commodities are priced in dollars, making them more expensive to users of other currencies as the greenback strengthens. Examples on an YTD basis, Silver (-5.20%), Gold (-7.20%), Wheat (-11.00%) and Coffee (-23.50%).

IV) ***The flash reading of the Markit manufacturing purchasing managers' index rose slightly to 53.8 in July*** from a 20-month low of 53.6 in June. The rebound was led by stronger output and order book growth. ***The forward looking indicators point to the manufacturing sector remaining in a relatively slow-growth phase.*** The flash estimate is typically based on approximately 85%-90% of total PMI survey responses each month, and any reading above 50 indicates improving conditions.

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

Capitalization: ***Large Caps +0.69%*** (YTD +2.41%), Mid-Caps -0.67% (YTD +1.67%) and ***Small Caps -2.19%*** (YTD +2.46%). Style: ***Value -3.73%*** (YTD -2.41%) and ***Growth -0.10%*** (YTD +6.73%). Industry Groups (Leaders): ***Healthcare +3.07%*** (YTD +12.92%), Consumer Discretionary +2.99% (YTD +9.90%), Technology +2.12% (YTD +3.45%), Communication -1.40% (YTD +1.58%), ***Consumer Staples +4.31%*** (YTD +3.67%), and Financial Services +2.98% (YTD +2.53***%)***. (Laggards): ***Energy -7.50%*** (YTD -11.02%), ***Utilities +2.06%*** (YTD -8.82%), Industrials -2.24% (YTD -5.62%) and ***Basic Materials -6.88%*** (YTD -6.48%).

EUROPEAN EQUITIES

The Stoxx Europe 600 Index declined last week from 405.68 to 394.64, to close lower by -2.72%. European stocks declined last week prompted by weak data from China and the inexorable selling in commodities which weighted on investor confidence. Year to date the Stoxx Europe 600 is up +15.21% (MTD +3.10%).

Drivers: I) ***Greece's parliament last Thursday passed a second set of economic overhauls demanded by the nation's international creditors as a precondition for starting talks over a third bailout package.*** The measures were supported by 230 lawmakers in the nation's 300-seat parliament, with backing from opposition parties. Greek Prime Minister Alexis Tsipras said that negotiations on a new bailout up to €86 billion ($93 billion) will restart after the parliament approves the last set of prior actions.

II) ***A European Commission survey released last Thursday indicated that euro-zone consumers became more troubled by the threat of a Greek exit from the currency area in July***, a development that could weaken households spending. Data firm ***Markit surveyed more than 5,000 businesses across the euro-zone*** between July 13 and 23. Its composite purchasing manager's index, a measure of activity in ***the manufacturing and services sectors, fell to 53.7 in July from 54.2 in June.***

III) ***Performance of European Indexes for the week, month-to-date and year-to-date. The EuroStoxx 600 Index fell by -2.72% for the week (MTD +3.10% YTD +15.21%).***

ASIAN EQUITIES

Asian equity markets were mixed as the Shanghai ended its third-straight week of gains, while the rest of Asia struggled to shake off a bout of weakness pegged to disappointing earnings in the U.S. The Dow Jones Asia Pacific Index was down -1.43% for the week.

Drivers: I) ***The Caixin China Manufacturing Purchasing Managers' Index's activity in China sunk to a 15-month low***, suggesting that the world's second-largest economy is struggling to stabilize and arrest a broad slowdown. The Index's initial reading stood at 48.2 in July, compared with a final reading of 49.4 in June. ***The low reading suggests that the economy has yet to regain momentum despite several rounds of interest rate cuts, higher spending on infrastructure and signs that the real-estate market is emerging from a slump.***

II) ***Between the end of June and early July, it is estimated the Chinese government announced at least 40 measures to support the market***, including an interest-rate cut by the central bank and establishing a stabilization fund to outright buy stocks. Chinese authorities are estimated to have employed much as 5 trillion yuan, almost 10% of GDP, to halt panic sales. Such tactics though, while effective in the short term, could discourage foreign investors' participation in the stock market and challenge China's aspirations of becoming a global financial power.

II) Performance of Asian Indexes for the week, month-to-date and year-to-date. ***The Nikkei was lower by -0.52% (MTD +1.53% YTD +17.73%), the Hang Seng Index was down by -1.13% (MTD -4.27% YTD +6.45%) and the Shanghai Composite was up by +2.87% (MTD -4.82% YTD +25.85%).***

FIXED INCOME

Treasury yields fell last week as investors digested mixed U.S. economic data and a flurry of earning reports, amid positive news coming out of the euro-zone, where the Greek debt drama seemed closer to a resolution.

Performance: I) ***The 10-year Treasury yield was lower last week, ending at 2.264% down from 2.348%. The 30-year yield fell last week declining from 3.087% to 2.962%.***

II) Performance for the week, month-to-date and year-to-date***. Barclays US Aggregate Bond*** was up +***0.27%*** last week, ***MTD +0.37% and YTD +0.27%***. The ***Barclays US MBS TR rose by +0.14%*** last week, MTD ***+0.30% and YTD +0.60%***. The ***BofAML US HY Master II was lower last week by -1.01%, MTD -1.03% and YTD +1.42%.***

COMMODITIES

The DJ Commodity Index was lower last week falling from 302.59 to 289.34 and is down month to date -9.23 % (YTD -10.60 %) as oil continue to fall on a supply glut and gold fell on interest rate expectations.

Performance: I) ***Oil prices fell last week and entered bear market territory, settling with a weekly loss of more than 5% due to a continuing glut of crude supplies, a rise in domestic oil-drilling rigs and China-demand worries***. For the week the price of oil fell from $50.78 to $47.97 per barrel.

II) ***The ICE USD Index***, a gauge of the greenback's movement against six other major currencies, was lower falling from 97.96 to 97.20 for the week. ***The USD ended the week lower after official data showed new-home sales dropped 6.8% in June, the weakest reading in seven months.*** For the week the Yen strengthened rising from ¥124.08 to ¥123.81 and the Euro rose from 1.0830 to 1.0984 against the USD.

III) ***Gold settled near a five-and-a-half week low on Friday, with expectations that the U.S. Federal Reserve will soon lift interest rates helping to send prices down for a fifth straight week.*** For the week gold dropped from $1132.2 to $1099.3.

HEDGE FUNDS

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

Performance:
I) ***The HFRX Global Hedge Fund Index is higher at +0.28% MTD and +1.55% YTD.***
II) ***Equity Hedge is positive at +0.39% MTD and has risen +2.77% YTD.***
III) ***Event Driven has declined MTD -1.26% and is higher YTD +0.15%.***
IV) ***Distressed Debt is lower at -0.26% MTD and is positive YTD +0.60%***
V) ***Macro/CTA is higher at +2.45% MTD and is up +1.07% YTD.***
VI) ***Relative Value Arbitrage has risen by +0.13% and is up +1.97% YTD.***

ECONOMIC DATA WATCH AND MARKET OUTLOOK

Heading into next week the markets will be fixated on the Fed meetings and the continuation of the quarterly earnings season. Over 150 companies are reporting, including tech names such as Facebook Inc. and Twitter Inc. along with Ford Motor Co. and DuPont. But investors will pay strict attention to the energy sector, whose poor results have been a weight on market performance. ***Energy is reporting the largest year over year decline in earnings and revenues of all 10 sectors in the S&P 500, and is the greatest drag on S&P results.***

Earnings among energy companies are down 54.4% while revenue fell 38.2%, according to FactSet. With 187 S&P 500 companies having reported second-quarter results, blended earnings, which combine actual results with projected estimates, are 2.2% lower. Blended revenues are 4% weaker. It is the first time since the third quarter of 2012 that earnings have fallen year-over-year.

On the economic data front Fed policymakers meet for two days next week. There is no press conference scheduled, so all eyes will be on the statement due out at 2 p.m. Eastern Time on Wednesday for the ***latest clues on the timing and path for interest rates. Economists expect the Fed will begin to raise rates in September***, though Chairwoman Janet Yellen has avoided committing to any specific date.

On Thursday, the Commerce Department will provide its first look at second-quarter economic growth. The number is expected to be a marked improvement from the first-quarter's 0.2% contraction, though full year growth will likely remain subdued. The agency also will incorporate new methodology into revisions for prior periods, part of a series of steps to smooth out statistical quirks that may have depressed first quarter readings. ***The estimated growth rate is +2.50%.***

The ECI, a closely watched gauge of wage pressure and potential inflation, advanced 2.6% from a year earlier during the first quarter, accelerating from 2.2% growth in the third and fourth quarters. Another gain in Friday's report may signal to the Fed that bigger paychecks for workers and higher costs for employers are on the way.

The factory sector has been stuck in a rut for much of the year and business investment subdued. ***Monday's numbers on new orders for durable goods, will offer the latest insight on demand for big-ticket goods. Orders are expected to improve from -2.20% to +2.60%.***

The Conference Board's index of consumer confidence matched a multi-year high in June, a sign of improving spirits and possibly a greater willingness to spend. ***But the University of Michigan's measure, due out Friday, may be a bit of a setback (projected to fall from 101.4 to 99.1).*** The preliminary July sentiment index, released earlier this month, ***fell slightly amid concerns about international developments.***