Weekly Market Update Teleconference Transcript, Conducted by:
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Raymond James - Member NYSE/SIPC

Wednesday, June 17, 2015

Jim: Good day everyone, today is Wednesday, June 17, 2015 and this is the first Wednesday Ten-Minute Breather. Ten weeks ago we started these weekly calls, anticipating some negative changes in the stock and bond markets and for sure that is what we have seen, a lot of back and forth action in prices which doesn't help the investor confidence factor. These calls are to help smooth out the wrinkles of this volatile period of time.
Before I go into today's comments, here are some thoughts from Bernie.

Bernie: Well Jim the kids are out of school and I'm feeling a little nostalgic today as my kids are yet another year closer to graduation, so I thought that a fitting topic would be Quality of Life. This means something a little bit different to everyone as everyone has their own definition of how they want to live, how they want to spend retirement, etc. Our goal is to help you maintain your "definition" of quality of life. We continue to focus on the cash flow spending as this helps us understand the financial side of activities that are important to you. The cash flow spending (expenses) are the only thing that we have control over in the "big financial" picture. We will continue to focus on this piece during our meetings with you and continue to try to help you achieve and maintain the "quality of life" as defined by you.

Our team also understands that it isn't only about the money there is a personal side as well. Each of you has your own unique family that can enhance your quality of life. My parents often tell me that they prefer being a "grandparent" to a "parent" all of the time. As they can give the grandkids back after they've given them ice-cream for dinner and don't have to deal with the consequences of the hyperactivity that follows. I encourage you to continue building those good memories with your grandkids as this will enhance your quality of life. I looked up a list of the top 100 things to do with grandkids and thought that I would share of few of these with you before turning the call over to Jim.

- Teach your grandchild a hobby that you love – cooking, sewing, crocheting, golfing, etc. I remember the first outfit (and still have it by the way) that my grandmother helped me make on her sewing machine.
- Collect seashells at the beach. Later paint them and maybe give them out as a favor at your next family gathering.
- Go berry picking and then make a pie or cobbler.
- Go on a nature walk and point out different birds, insects, etc.
- Go on a scenic drive or visit a local park

With all the unfavorable news that is out there, we sometimes forget to stop and smell the roses. I encourage you to continue to let us do the worrying for you and take time to enjoy the things that matter the most so that you have the best quality of life. That is all that I have for today, I'll now turn the call over to Jim for some market comments and updates.

Jim: Thank you Bernie. Today's call is a summary of thoughts, ideas and observations of our head strategist Jeff Saut, our chief economist Scott Brown, no comments this week from Mike Gibbs the Raymond James Portfolio Manager, but I do have some combined thoughts from Dorsey Wright and our team and how we are responding in this market.

Jeff Saut in June 17th's Morning Tack; is talking about what a pause, a dip, a correction and a bear market look like. A pause is a pullback in prices in the stock market of about 5%, a dip is between 5% and 10%, a correction is greater than 10% and a bear market is a decline of more than 20%. It might interest you to know that we actually had a bear market in 2011 from May until October of almost 22%, a 17% correction from April 2010 to July 2010, and two other 10 percenters from April to June of 2012 and October 2011 to end of November 2011.

I am positive that if we asked the typical investor have there been any major declines, let alone a bear market, during the last six and a half years, the response would be no. What I find of interest is that these downturns in the market did not take long to flex their negative muscles and turn back around again. This goes back to a theme we have been talking about for the past two and a half months that these are characteristics of a secular bull market. A secular bull market is one that movers on sentiment more than economic reasoning and can go on for many years.

Scott Brown, our chief economist had comments this week on the Federal Reserve in June 17th's Raymond James Economic Research daily market commentary. He doesn't think the Fed will tip its hat on interest rate hike timing at all. He points out that even though there is a lot of noise and disagreement between the Federal Reserve's hawks and doves. The hawks are those calling to raise rates, the doves are calling to keep them low. The Federal Open Market Committee sets policy for fed funds rates, and while made up of some of the District governors, the governors whom we tend to hear more of their public views do not set this policy. Brown says the Fed is concerned about these items primarily:

- They want to see further improvement in the job market
- They want to be reasonably confident that inflation will stay close to the 2% goal

- The timing is less important than the pace after the initial hike

Our work with Dorsey Wright, the company that supplies us the data for our research, shows a downturn in one of our positive indicators the NYSE Bullish percent that we reported on last week but we need to point out that that is but one indicator and all our remaining indicators remain positive. That warning allows us to double check all our current positions to make sure we are comfortable with how those are trading, we have and we have made a few appropriate changes.

Our indicators went into transition about 2 months ago. We note that utilities are off about 10% and a lot of that having to do with the interest rate increases in the market place, utilities being very interest rate sensitive. US equities, as we reported last week are still in number one favored position, followed by international, fixed income, currencies and commodities. Interest rates continue to nudge higher; the rates we follow are the 5 year, the 10 year and the 30 year treasury, all high yields since last week's call. We will continue to prune negative positions in our stock holdings, insert positive ones wherever possible and we continue to sit on our hands for fixed income ideas until the interest rate picture matures more.

Until next Wednesday, that's all the thoughts I have for today, are there any questions, comments or observations that any of you have on today's call?

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Jeffrey D. Saut, Chief Investment Strategist, (727) 567-2644, Jeffrey.Saut@RaymondJames.com **June 17, 2015**

Investment Strategy

U.S. Markets	Close	Net	1 Day %	YTD %
Dow Jones	**17904.48**	**113.31**	**0.64%**	**0.46%**
Dow Jones Transports	**8348.22**	**-27.64**	**-0.33%**	**-8.66%**
Dow Jones Utilities	**561.31**	**1.94**	**0.35%**	**-9.18%**
S&P 500	**2096.29**	**11.86**	**0.57%**	**1.82%**
S&P 400 Midcap	**1532.08**	**10.20**	**0.67%**	**5.48%**
S&P 600 Smallcap	**728.76**	**5.00**	**0.69%**	**4.85%**
NASDAQ	**5055.55**	**25.58**	**0.51%**	**6.75%**
Russell 2000 (Smallcaps)	**1269.53**	**8.49**	**0.67%**	**5.38%**
BKX (Banking)	**79.03**	**0.43**	**0.55%**	**6.42%**
BTK (Biotech)	**4074.87**	**30.47**	**0.75%**	**18.49%**
XOI (Oil Index)	**1326.45**	**8.07**	**0.61%**	**-1.61%**
SOXX (Semiconductor)	**715.07**	**2.44**	**0.34%**	**4.11%**
XAU (Gold/Silver)	**65.99**	**-0.96**	**-1.43%**	**-4.06%**

"A weak close below the support levels of 17,750 on the Dow and 2070 on the S&P 500 would open the way for additional risk of 5% or more, in our opinion, as that would be a change from the previously neutral and bullish trend of the indexes."

. . . Bob Dickey, RBC Wealth Management

"Technical Analysis"

I received RBC's "Technical Update" yesterday morning and centered on the aforementioned quote. I centered on it because I have basically been saying the same thing. If we take out last week's 2072 intraday print on a closing basis this week, it is not going to look good in the charts. Whether that leads to "additional risk of 5% or more" is unknowable, but it certainly is not going to look good. Speaking to corrections, it would be good to define them. According to Ritholtz Wealth's Josh Brown, "A 'Pause' of less than 5% is just that . . . a 'Pause'. A 'Dip' is between 5% and 10%, while a 'Correction' is 10%+, and a 'Bear Market' is 20%+." With those guideposts, let's look at the S&P 500 since the March 2009 bottom. There has been only one bear market. That occurred from 5/2/11's intraday high of 1370 into 10/4/11's intraday low of 1074.77 for a decline of 21.58%, which encompassed 108 trading sessions. Then there was the intraday 17.12% correction from 4/26/10 through 7/1/10 that took 47 sessions. There were two other ten percenters: the decline of 10.94% from 4/2/12 until 6/4/12 (43 sessions) and the 10.37% correction of 10/27/11 into the 11/25/11 bottom at 1158.66 (20 sessions). Other than those, we have only experienced "Dips" of less than 10%. It is worth mentioning, however, there has not been a 10% correction since the April – June slide in 2012. As of June 5, 2015, that is 1,339 sessions without such a pullback, a skein only eclipsed by the seven-year stretch from October 1990 to October 1997 and the March 2003 to October 2007 affair (see chart). So while it's true we are overdue for some kind of 10%+ pullback, far too many participants have missed the 68.5% rally from the correction ending in June of 2012 into last May's rally high of 2134.72 basis the S&P 500.

Speaking to the here and now, on Monday the SPX tested and held last week's low of ~2072. Moreover, as chronicled in these missives, "My work suggests the equity markets should stabilize this week around mid-week with resulting higher stock prices." Well, so far so good with Turning Tuesday (+12 S&P points) taking the SPX back towards the 2100 level. However, for this to turn into something capable of tagging my first target of 2160 will require more than just one day's strong buying. The test would come at last week's high of 2115. Until then, this could still turn into a "Dip" or "Correction." But, while a correction can spill into a bear market, most do not. In fact, most of them have turned out to be great buying opportunities. This morning the S&P preopening futures are better by 3.5 points on a meager upside follow-through.

Index	Cur Future	Change
Dow Jones	17,868	42
S&P 500	2,092	2.8
NASDAQ	4,457	5.5

Volume	1 Day Volume	ADV/DEC Volume	ADV/DEC Issues
NYSE	**651,897,693**	**2.1**	**1.8**
NASDAQ	**1,657,200,000**	**1.9**	**1.5**

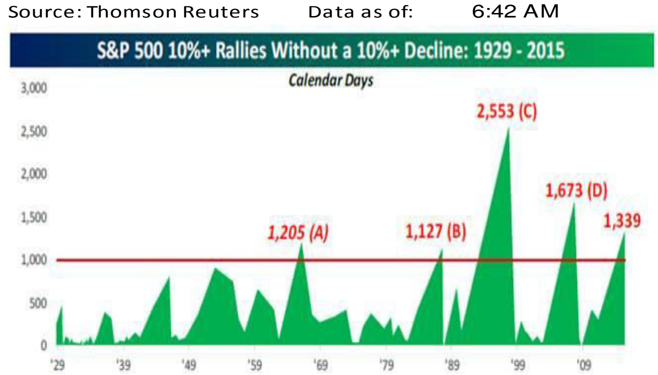
Foreign Markets		Intraday	Net	% Chg
U.K.	FTSE 100	6,677	-33.01	-0.49%
Germany	DAX	11,005	-38.98	-0.35%
Brazil	Bovespa	53,702	564.62	1.06%
Japan	Nikkei 225	20,219	-38.67	-0.19%
Hong Kong	Hang Seng	26,754	187.09	0.70%

S&P Sectors	Close	% Chg	1 mo %
Consumer Discretionary	606.54	**0.55%**	**-0.09%**
Consumer Staples	492.81	**1.05%**	**-3.47%**
Health Care	862.85	**0.50%**	**0.62%**
Information Technology	711.37	**0.59%**	**-1.61%**
Telecom Services	153.90	**0.78%**	**-2.41%**
Energy	563.43	**0.81%**	**-4.17%**
Financials	336.72	**0.53%**	**1.34%**
Industrials	477.12	**0.08%**	**-2.76%**
Materials	313.76	**0.60%**	**-2.69%**
Utilities	214.85	**0.43%**	**-4.16%**

Key Commodity Prices	Last	Net
Crude Oil (WTI)/bbl	61.63	1.18
Natural Gas/mmbtu	2.95	0.01
Gasoline (USD/gal)	2.18	0.05
Gold/oz.	1178.50	-2.40
Silver/oz.	15.95	-0.02
U.S. Dollar Index	95.11	-
Copper (USD/lb.)	2.63	0.01
Cotton #2 (USD/lb.)	64.23	-0.20

Market Valuation	2014	2015E	2016E
Consensus S&P 500 EPS	$113	$116	$133
P/E	18.6	18.1	15.8
Earnings Yield		5.5%	6.3%
Equity Risk Premium (10 yr)		3.2%	4.0%
Treasury Yields	**90D**	**10 Yr**	**30 Yr**
	0.01%	**2.32%**	**3.05%**

Source: Thomson Reuters Data as of: 6:42 AM



Source: Bespoke

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RAYMOND JAMES

Economic Research

Published by Raymond James & Associates

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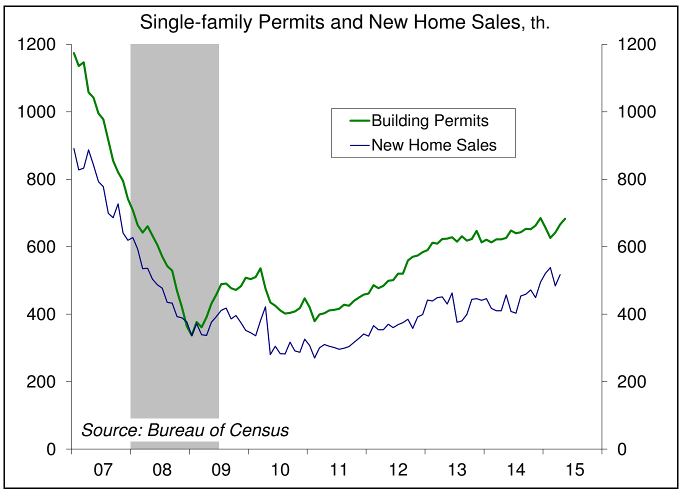
Daily Market Commentary

Treasury Issues (ch. from prior close, yield)								Dollar				Equities			
13-wk	26-wk	52-wk	2-yr	3-yr	5-yr	10-yr	30-yr	$ / €	$ / £	¥ / $	CD / $	DJIA	SP500	Nasdaq	R2K
.00	.00	+.00	-.01	-.02	-.04	-.04	+.04	-.003	+.005	-.005	-.003	+113.31	+11.86	+25.58	+8.49
0.01	0.10	0.26	0.69	1.08	1.66	2.31	3.04	1.125	1.565	123.36	1.230	17904.48	2096.29	5055.55	1269.53

Tuesday: Construction data were mixed, with building permits and housing starts moving in sharply different directions. Equity futures had initially suggested that the U.S. would follow European markets lower, but sentiment turned positive ahead of the open. In the afternoon, the major stock market indices added to the morning's gains. The clock is still ticking on Greece, but investors now appear to be less fearful of the Fed.

Economic Releases	*Period*	*Actual*	*Previous*
Building Permits, mln	May	1.275	1.140
single-family % change		+2.6	+3.7
multi-family % change		+24.9	+19.7
Housing Starts		1.036	1.165
single-family % change		-5.4	+15.4
multi-family % change		-20.2	+34.7
Avg. Gasoline Price (EIA)	6/15	2.835	2.780
13-week average		2.619	2.590



Residential construction figures for May were mixed. Building permits jumped 11.8% (following +9.8% in April), reflecting further strengthening in single-family activity and the usual volatility in the multi-family sector. Permits rose across all four regions (+4.4% in the Northeast, +8.0% in the Midwest, +0.8% in the South, and +2.6% in the West). Note that the increase in permits will add 0.34 to the May Index of Leading Economic Indicators (due June 18 – now seen likely to have risen 0.7% or 0.8%, depending on the rounding). Housing starts fell 11.1% in May (following a 22.1% rise in April), but there is a huge amount of statistic noise in these figures. A 90% confidence interval for the monthly change in single-family starts was -12.4% to +1.6% (hence, not statistically different from 0%).

Retail gasoline prices continued to rise in the latest week, up about 80 cents (38.7%) from the late-January low. The average price was still down 23.1% from a year earlier. Note that, reflecting the usual seasonal pattern, gasoline prices normally rise about 14% in the first five months of the year, but fall back over the remainder of the year.

Today: The focus will be on the Fed, with the FOMC policy statement and the Summary of Economic Projections (SEP) at 2:00 p.m., followed by Fed Chair Yellen's press conference a half an hour later. The wording of the policy statement should be little changed. The dots in the dot plot ought to drift a little lower. Yellen is expected to repeat that economic conditions are likely to warrant an initial increase in short-term interest rates later this year, although it's doubtful that she will provide a precise timetable. The financial markets often express relief once the Fed meeting is out of the way, but some of that may have already been reflected in Tuesday's market action.

In the April 29 policy statement, the FOMC recognized slower growth but blamed 1Q15 weakness on *"transitory factors."* Recent data suggest that growth is now rebounding. However, policymakers should want to see even further signs of strength before raising rates. Assuming that the economic data fall in line with expectations, this logic would leave September as the most likely starting point – but it will depend on the data.

All participants at this meeting (the five governors and 12 district bank presidents) will submit revised forecasts of growth, unemployment, and inflation. They will also give projections of the appropriate year-end federal funds target rate for each of the next few years. While Chair Yellen has cautioned against reading too much into minor movements in the dots (there is a lot of uncertainty in each individual forecast), the plot should be consistent with a very gradual path for short-term rate increases in the quarters ahead. Yellen is expected to stress this gradual rate hike outlook in her post-meeting press conference.

	Today's Releases:	*Period*	*Forecast*	*Consensus*	*Previous*	*Comments*
2:00	FOMC Policy Statement					expecting minor changes
2:00	Fed Summary of Econ Proj.					dots likely to be revised a bit lower
2:30	Yellen Press Conference					repeating recent themes