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HELLER WEALTH ADVISORS LLC

Helping to build and protect your wealth.

Market Update
(all values as of 05.31.2016)

Stock Indices:

Dow Jones	17,787
S&P 500	2,096
Nasdaq	4,948

Bond Sector Yields:

2 Yr Treasury	0.87%
10 Yr Treasury	1.84%
10 Yr Municipal	1.64%
High Yield	6.08%

YTD Market Returns:

Dow Jones	2.08%
S&P 500	2.59%
Nasdaq	-1.19%
MSCI-EAFE	-2.82%
MSCI-Europe	-2.72%
MSCI-Pacific	-2.79%
MSCI-Emg Mkt	1.68%
US Agg Bond	3.40%
US Corp Bond	5.24%
US Gov't Bond	3.88%

Commodity Prices:

Gold	1,215
Silver	16.00
Oil (WTI)	48.83

Currencies:

Dollar / Euro	1.11
Dollar / Pound	1.46
Yen / Dollar	111.03
Dollar / Canadian	0.76

Macro Overview

Inflationary pressures are beginning to reveal themselves as U.S. consumer prices recorded their biggest increase in more than three years. Demand for new homes grew as housing starts rose more than expected last month. Such positive economic growth has prompted Fed officials to consider raising rates this summer, stating "its appropriate for the Fed to gradually and cautiously increase rates in the coming months."

Another rate increase by the Fed would put the Fed Funds Rate at 0.50%, up from its current 0.25% which was the last rate increase in December 2015. The Fed Funds Rate was essentially zero since 2008 when the Fed began its bond buying stimulus program, known as Quantitative Easing (QE).

A new regulation implemented by the Labor Department in May will now allow "exempt" employees making up to $47,476 a year to earn overtime pay. Exempt employees are salaried workers who work over 40 hours per week but receive no overtime pay.

The European Union and central bankers world-wide are eagerly awaiting Britain's vote on June 23rd to either stay within the Euro Zone or exit, also known as Brexit. Such a departure could cause riffs across markets in Europe as Britain's banking and financial system presents a vital component of Europe.

Sources: Federal Reserve, ECB, EuroStat

U.S. New Home Sales Strongest Since 8 Years – Housing Update

In an effort to better determine the health of the housing market, the U.S. Department of Housing & Urban Development compiles and releases data every month. The most recent data available is, as of April 2016, revealed that sales of new homes increased to an annualized rate of 619,000, the largest increase in eight years. Various factors may account for the increase, including an improving employment market as well as additional homes completed and ready to sell.

Sales of new homes versus sales of existing homes, provides a glimpse as to the health and future growth of the housing market. The housing market currently employs over 2 million people, a dramatic difference from the height of the housing market in 2006 when the industry employed over 4 million workers. So as more new homes are built and sold, more builders are hiring workers to build homes. There are 2 million fewer construction workers today than at the 2006 peak, due to many having retired and moved on. The supply of new entrants isn't sufficient to satisfy builder needs in certain areas of the country. Various factors contribute to how and why more new homes were sold throughout the country, among them being supply, weather, demographics, and job growth.

Sources: Commerce Dept., Dept. of Housing & Urban Development

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Fixed Income Update – Global Bond Markets

The Fed is ready for a rate increase this summer as comments made by Fed officials in May validated their confidence in the economy's growth and rising inflationary pressures.

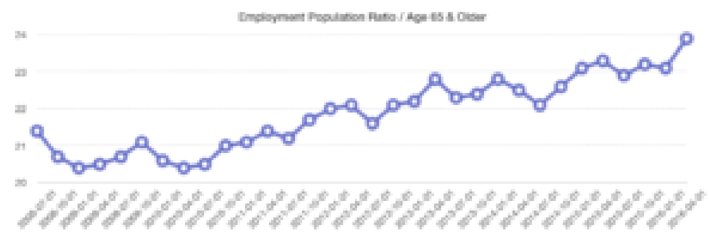
Some similarities between Greece and Puerto Rico emerged in May, as Puerto Rico received a form of debt relief for about $120 billion of bonds coming due this month. The House and Senate reached a deal that would give the U.S. Territory of Puerto Rico the ability to forgo paying on some of its debt as well as not impose U.S. minimum wage rates for residents under 25. Puerto Rico has already defaulted on several of its bond payments due in May. A declining economy and migration of citizens out of the country have led to the current circumstances.

Low to negative bond yields in Europe and Japan are costing bond investors billions. Fitch, a bond rating agency, released a statement in May detailing how negative yields impact investors. It estimates that there is roughly $10 trillion of negative yielding debt worldwide, in turn costing investors about $24 billion annually. With the average negative yield being -0.24% on $10 trillion, it costs bond investors $24 billion annually. Conversely, the average yield on the same bonds five years ago were 1.23%, producing $123 billion annually. The ultra low yields are primarily impacting pension funds holding negative yielding debt because the returns earned help pay down any pension liabilities. Lower yields are also influencing investors to shift to higher yielding and more volatile bonds.

Sources: Fitch, Eurostat, Bloomberg

More American's Working Past 65 – Labor Market Dynamics

According to data recompiled by the U.S. Bureau of Labor Statistics, almost 20% of American's age 65 years and older are currently working. This statistic is reported as the U.S. Employment Population Ratio 65 Years Of Age & Older. It indicates the percentage of the total US working-age population aged 65 or greater that are employed. There are various reasons behind older people working longer, all of which tend to be of demographical nature.



The financial crisis of 2008/2009 and the technology bubble bursting in 2000 devastated many retirement plans for employees, as their 401k and retirement savings lost enough to postpone retirement for many workers. A recent report by the Government Accounting Office showed that nearly 60% of U.S. households have no 401k or retirement plan assets.

Various studies have found that employees with higher education such as college degrees, tend to work longer than those with less education. With the unemployment rate currently at 5%, employers have an incentive to keep qualified workers no matter what their age. Older workers today tend to have skills that younger workers may not, thus making it desirable for companies to keep older employees employed. Among other reasons for working past 65 include the rise in life expectancy, financial burdens, and the need to have benefits.

Sources: U.S. Bureau of Labor Statistics, GAO

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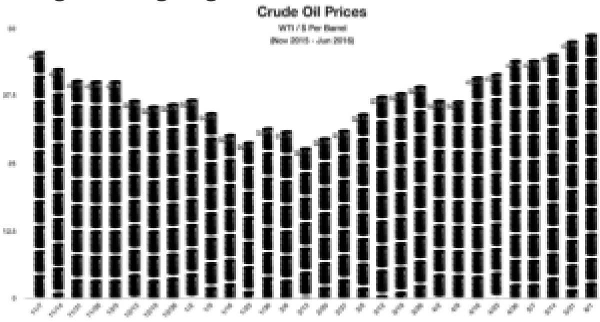
Oil Prices Hit 7 Month High – Commodities Update

U.S. crude oil prices, as measured by the West Texas Intermediate (WTI) benchmark reached a 7-month high in May, as prices traded over $50 per barrel, the highest levels since October 2015. The price rise came after the U.S. Energy Department released data showing that crude oil inventories had dropped in the U.S.. Inventories tend to drop as the economy uses more oil and gasoline going into the summer months.



WTI prices have almost doubled from a year ago as supply of and demand for oil worldwide have started to rebalance. Oil analysts believe that if prices move above $50 per barrel, it will spur additional production by U.S. drillers, as their profit margins increase with higher prices. As long as the extra production is consumed by an increase in demand, then prices should stay about the same if not elevate further.

Sources: U.S. Dept. of Energy

Greece Debt Crisis Re-Emerges – International Fiscal Crisis

The debt woes of Greece of have been ongoing since 2009, when a severe recession led the country into a debt crisis. In late May, Greece was able to once again secure debt relief from its European creditors by providing short and long term relief on debt coming due. The European Union members agreed on measures that will be phased in progressively with the continued support of the IMF. The IMF had announced in early May that it was considering halting its support for Greece, which was adamantly rejected by Greece and other countries. Greece will receive a 10.3 billion euro aid disbursement in order to avoid defaulting on debt it owes this summer.

Since the initial bailout of Greece in 2010, Germany has been the architect in reforming Greece's expenses, instituting austerity measures that reduce pension payments, increase taxes, and reduce public service pay. All of these measures have been and continue to be extremely unpopular with Greek citizens, prompting public protests and labor disputes.

Sources: EuroStat, Bloomberg, IMF

Equity Markets Overview – Domestic Stocks

U.S. equity indices were essentially flat for the month of May, as the S&P 500 and the Dow Jones Industrial Average both were up moderately for May. Analysts are starting to question earnings growth and profitability among some sectors as the term "profits recession" has been widely used. Many analysts believe that the beginning of the year turmoil that followed the Fed's rate hike in December may not be replicated, as the equity markets may have already priced in a rate increase. Energy sector earnings have hindered equity indices for months as profits dropped, but are expected to rebound as oil prices have risen.

Sources: Bloomberg, S&P, Dow Jones, Federal Reserve

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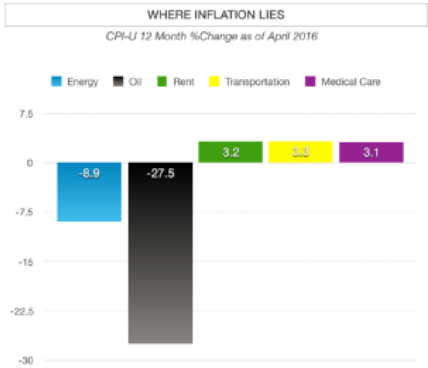
Here's Where The Fed See's Inflation – Monetary Policy

The Federal Reserve operates under a dual mandate, with three key objectives for monetary policy (which the Fed sets) to accomplish: Maximum employment, moderate long-term interest rates, and stable prices. Two of these three have been validated for the most part, with unemployment at 5%, and long term bond yields above short term bond yields. Stable prices (also known as inflation control) is monitored and released by the Consumer Price Index (CPI) each month and has been fairly subdued for sometime, until now. The Bureau of Labor Statistics which tracks the CPI reported that prices, as measured by the CPI, increased at the highest rate in three years as of April 2016. This latest report showed prices increasing at annual rate of 1.1%.



A 1.1% rate may not sound like much, but the data hidden within this number reveals something that the Fed may be concerned with. When broken down, the categories with the largest price increases nationwide were medical care services, transportation, and rent. What's amazing is that the CPI increase would have been much higher if it wasn't for the dramatic drop in energy and oil prices. The fact that American's are aging and are requiring more medical attention is an inflationary threat for retirees. In addition, many younger American's are still having a very difficult time in securing mortgage loans, thus forcing young families to rent rather than buy. Such a dynamic has increased demand for rentals nationwide, forcing rents to rise until more supply is made available.

Sources: Bureau of Labor Statistics, Federal Reserve

Europe Does Away With Its 500 Euro Note – Currency Update

Since the creation of the euro zone and the region's common currency, the euro, there has been an incredible expansion of euro notes and circulation of the currency. The most popular of the euro denominations has been the €50 note, representing 45% of all euro banknotes in circulation as of April 2016. Another popular denomination is the €500 note. Even though individual €500 notes represented about 3% of all euro notes as of April 2016, they still account for 30% of total euro banknote circulation value. This past month, the ECB decided to terminate the production of the €500 note, in a move to discourage the use of the large note for criminal and illicit purposes. Eurozone officials have found that the €500 note has been the denomination of choice for drug dealers and terrorists to carry large amounts of cash and that is readily exchangeable into other currencies.

An irony to the €500 note is the argument to keep it in place, due to negative rates in Europe. With rates below zero for various government bonds in Europe, investors would rather keep their savings in cash as opposed to paying banks to deposit their funds into. Euro's have become a favored store of value for many, since holding onto cash costs nothing.

Sources: ECB, Eurostat

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