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## ALHAMBRA WEEKLY SNAPSHOT

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### Top News Headlines

1. US stocks eke out a 0.75% gain
2. Chinese stocks take a big hit; Shanghai down 13%
3. Fed drops growth and rate expectations
4. Still no Greece resolution

### Economic News

1. Housing starts fall back but permits soar
2. Manufacturing still weak, Empire State and IP disappoint
3. Inflation may have bottomed, CPI, PPI & Import/Export prices rise
4. Leading indicators up more than expected

### Random Thought Of The Week

Being a contrarian means bucking the consensus, something easily said and quite hard to do. There are a number of widely held consensus opinions right now and while some of them will survive reality, my guess is that most of them won't. The most obvious of these consensus view items right now is that China's stock market is a bubble, one that may have started bursting last week as the Shanghai index fell 13%. But what if it is just the pause that refreshes? China still has a significant ways to go to reach first world status but they seem intent on getting there. One thing working in their favor is that their economic policies more recently appear more free market than our own. They seem more willing – still not completely but then neither are we – to let the market clear than most countries. Anyway, it may just be that the 13% drop in Shanghai is a wonderful buying opportunity.



Other consensus ideas I'd be wary of:

1. Greece exiting the Euro is a bad thing
2. The Fed will hike rates this year
3. US bonds are in a bubble but US stocks are not
4. Profit margins have permanently shifted higher
5. The dollar is at the start of a secular bull market
6. Corollary to 5: Gold is dead money
7. Japan's bull market is all about the BOJ QE
8. The worst of the shale bust has passed

### Chart Of The Week

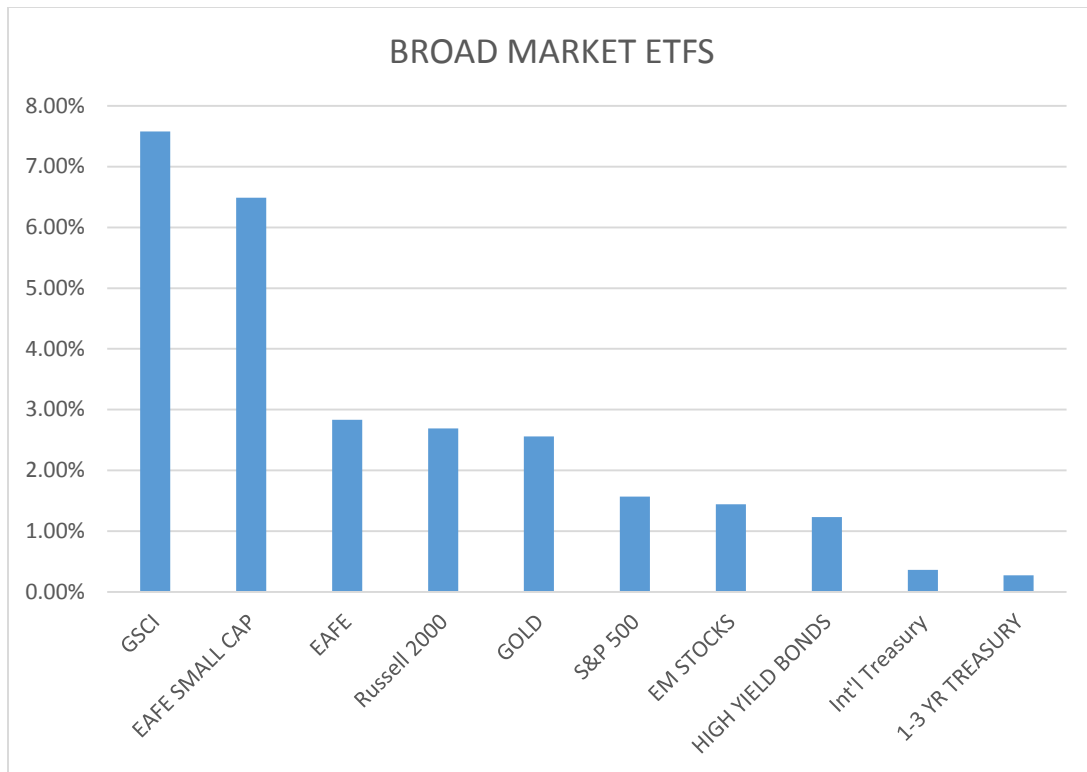


The chart of the week shows either that the long term downtrend in the inventory to sales ratio – a result of just in time inventory management advances – is over and reversing some mysterious reason or that the US economy is not doing all that well. I have serious doubts about the former.

### Broad Market – 3-month Returns

Commodities & gold continue to improve. International still outperforming US and small cap is outperforming large. A distinct shift to risk over the last couple of weeks but not in S&P 500.





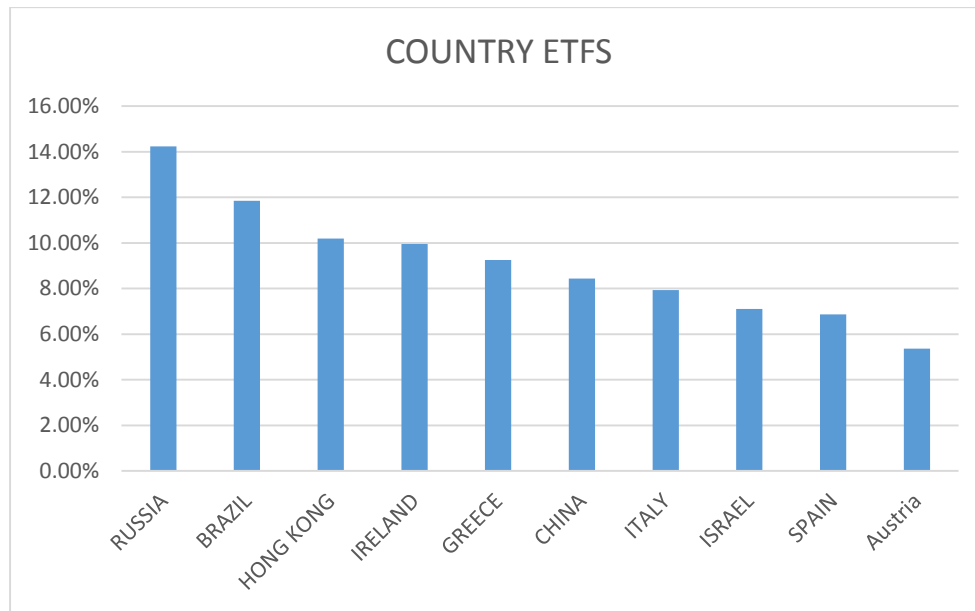
### Sector Returns – 3-month Returns

Materials and consumer discretionary move up the list as the economic data improves. Interest sensitive sectors still lagging.



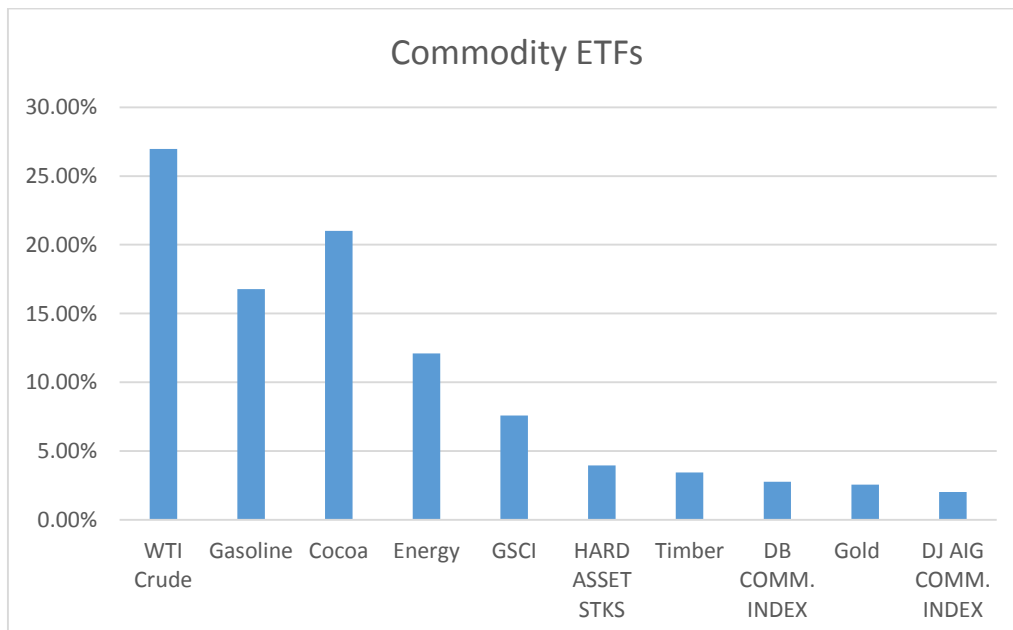
### Country Returns – 3-month Returns – Top 10

Colombia, Poland & Switzerland drop out as Ireland, Spain and Greece – yes Greece – join the top 10. China corrected off the top spot but still in the top 10. And who'd-a-thunk-it, Russia nabs the top spot.



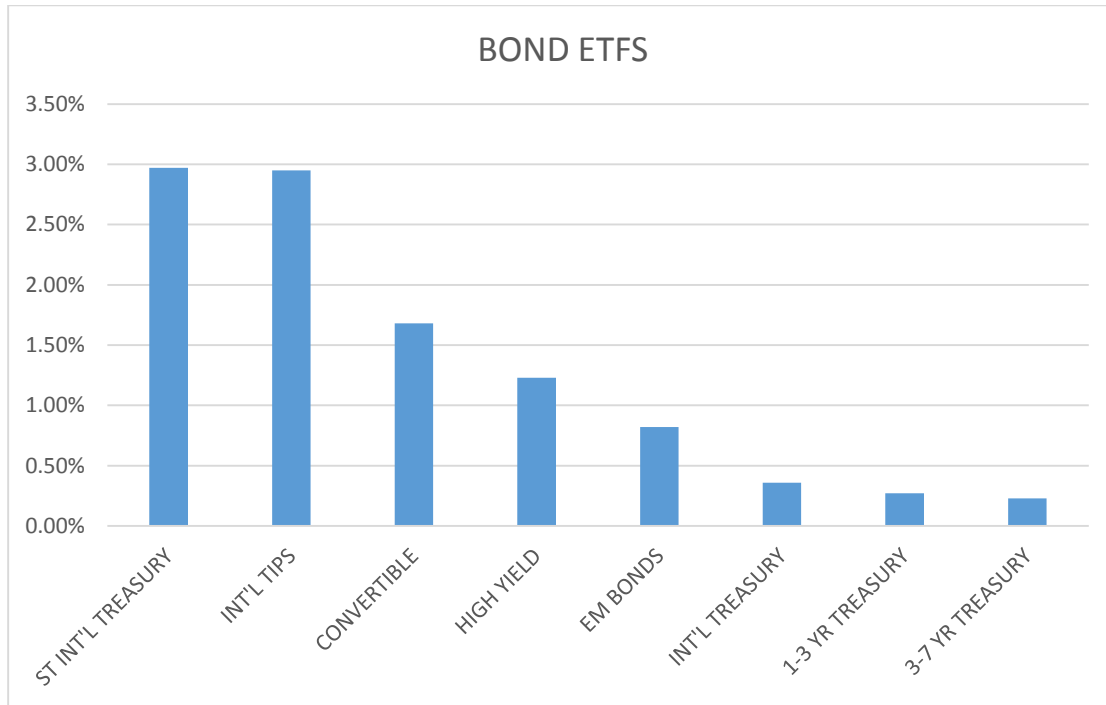
### Commodity Returns – 3-month Returns – Top 10

The commodity rally appears to be broadening out as all the major broad commodity indexes are now in the top 10.



## Bond Returns – 3-month Returns

Foreign and risk bonds continue to be the winners but short term US Treasuries are starting to get a bid as growth expectations adjust lower.



## Valuation Update

Sector	Number of Stocks	Shiller P/E	Regular P/E
Energy	41	13.00	15.30
Utilities	30	20.40	18.50
Financial Services	65	21.70	15.90
Consumer Defensive	40	22.40	22.70
Industrials	73	23.60	18.90
Basic Materials	25	26.70	20.30



Consumer Cyclical	<b>77</b>	29.10	22.40
Technology	<b>64</b>	29.20	19.60
Communication Services	<b>11</b>	29.60	23.90
Healthcare	<b>54</b>	32.30	26.40
Real Estate	<b>20</b>	57.50	30.90
<b>S&amp;P 500</b>	<b>500</b>	<b>27.1</b>	<b>20.6</b>



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*"Wealth preservation and accumulation through thoughtful investing."*

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