
ALHAMBRA WEEKLY SNAPSHOT

Top News Headlines

1. Greece nearing default; ECB won't lend more; IMF deadline nears
2. BIS annual report warns on over reliance on monetary policy
3. Chinese stocks take a big hit; central bank cuts rates
4. Supreme court rules on Obamacare and marriage

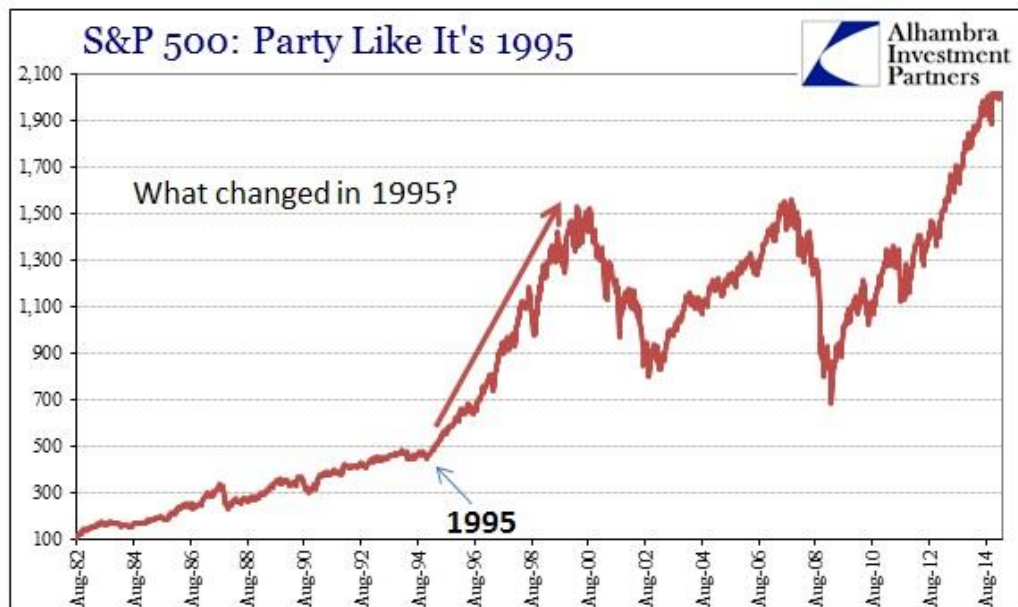
Economic News

1. Chicago Fed National Activity Index shows growth below trend
2. Existing home sales rebound; new home sales better than expected
3. Durable Goods stay ugly
4. Two service economy surveys less than expected. Is the service side slowing now too?
5. Personal income and spending better than expected; savings rate declines

Random Thought Of The Week

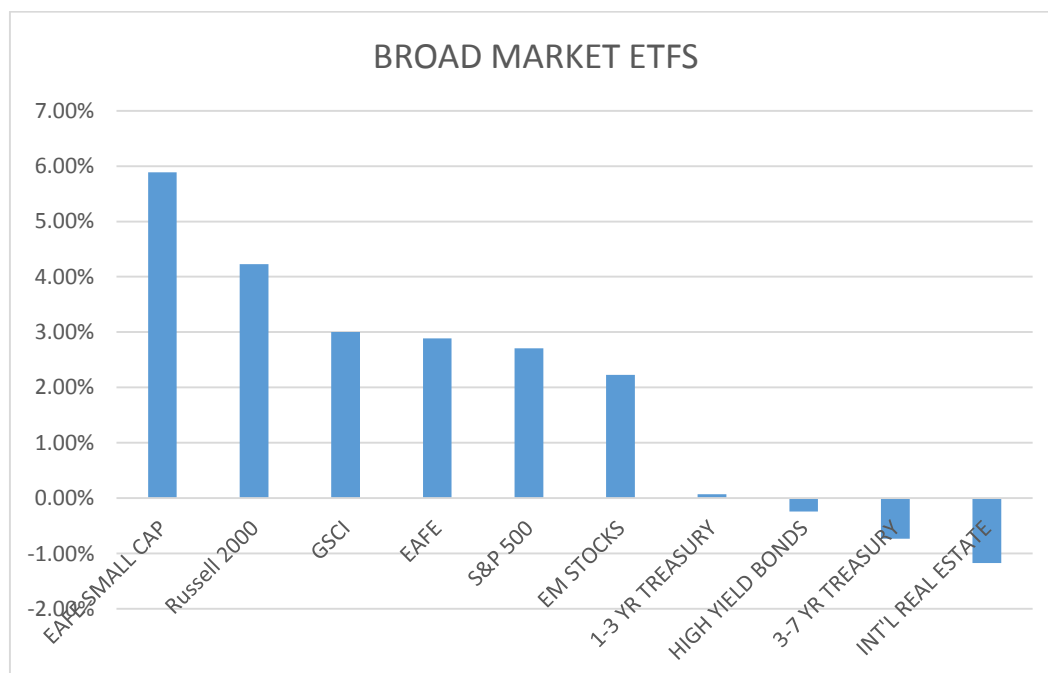
The worst possible outcome for those who want to keep the Euro together would be for Greece to leave, go back to a devalued Drachma and recover rapidly. And that is, to a large degree, what would likely happen if they also defaulted on and reduced their debts at the same time. Would Italians start to pine for the “flexibility” of the Lire if that happened? Would Spaniards want to go back to the Peseta? My guess is yes and that the ECB, Merkel and everyone else in a position of power within Europe knows it. And you can believe for sure the Greeks know it too.

Chart Of The Week



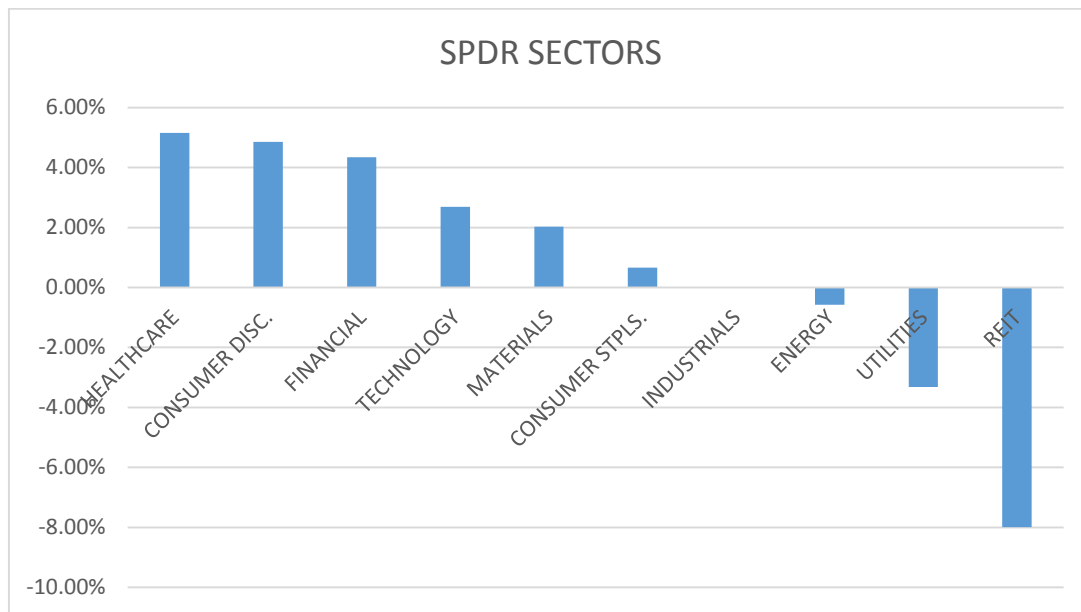
Broad Market – 3-month Returns

International continues to outperform US, small cap over large cap. Emerging markets holding up pretty well as the dollar continues to trade weak. Commodities also have been moving up the list although gold dropped to 11th place this week. Also of note is that two short term Treasury ETFs are now in the top 10. That is not a comforting trend for stock bulls.



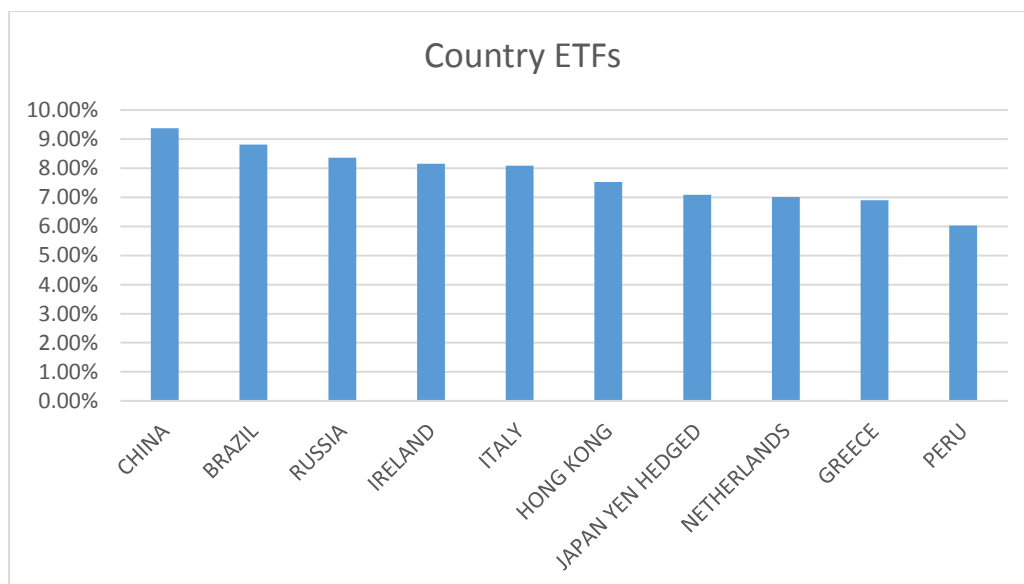
Sector Returns – 3-month Returns

Healthcare continues to lead the pack. Financials have been moving up the last few weeks and continue to trade well. Interesting though that I keep hearing it is because rates are going up when that isn't the key profitability factor. Actually it is the steepening yield curve that is positive for financials. Interest sensitive sectors do continue to lag though with utilities and REITs bringing up the rear.



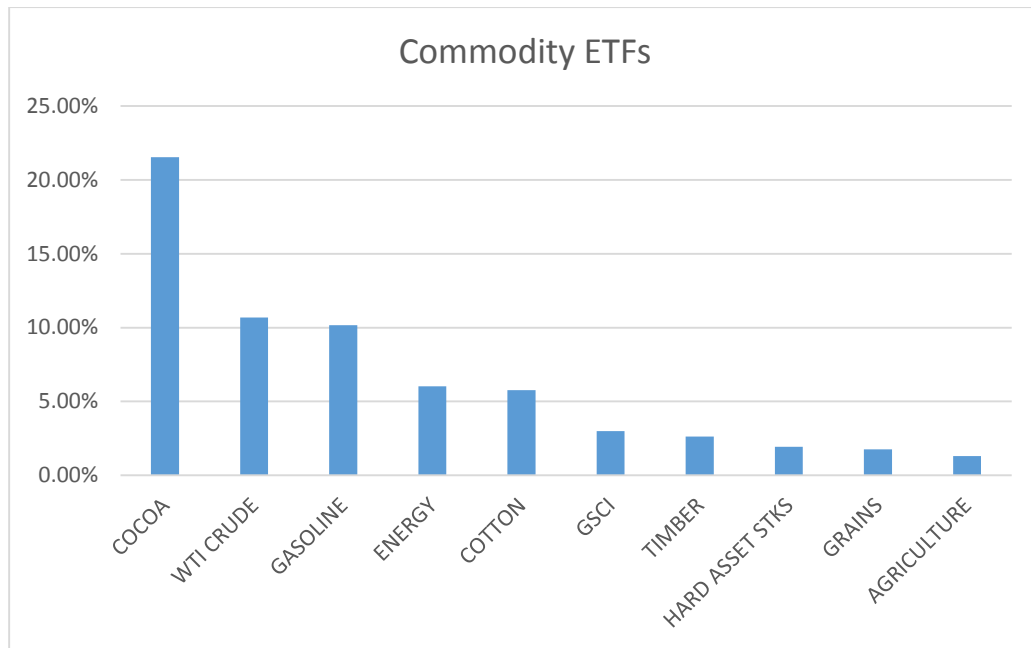
Country Returns – 3-month Returns – Top 10

The weakening dollar and rising commodity prices push another Latin American market into the top 10 – Peru. Despite the big pullback in China A shares last week, FXI continues to lead the way.



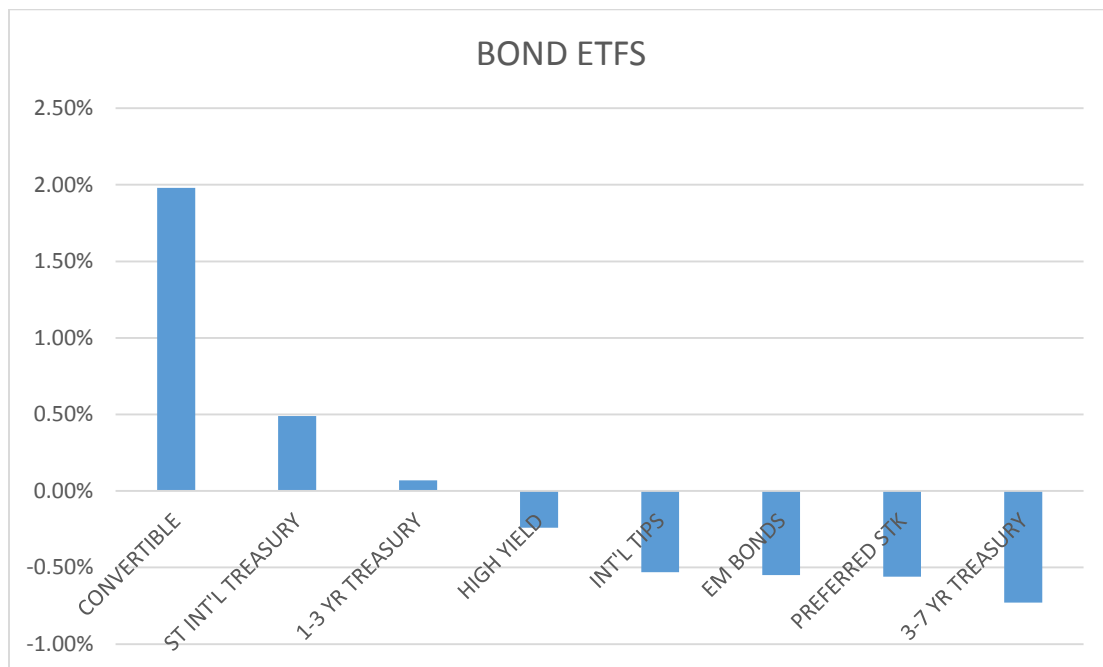
Commodity Returns – 3-month Returns – Top 10

The commodity rally may be broadening out as agriculture joins the rally.



Bond Returns – 3-month Returns

The bond market selloff has engulfed everything but the shortest maturities and convertibles which are more about stock prices than bonds.



Valuation Update

Shiller P/E: 27 (-0.04%)

Shiller P/E is 62.7% higher than the historical mean of **16.6**

Implied future annual return: **-0.3%**

Historical low: **4.8**

Historical high: **44.2**

S&P 500: **2101.49**

Trailing P/E: **21**

Significantly Overvalued



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"Wealth preservation and accumulation through thoughtful investing."

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