



ALHAMBRA WEEKLY SNAPSHOT

Top News Headlines

1. US stocks down on the week
2. Still no deal on Greek debt
3. OPEC leaves output unchanged
4. Vodafone in asset swap talks with Liberty
5. EPA finds no widespread impact on water

Economic News

1. Jobs report: Payrolls jump 280k
2. Trade deficit improves more than expected; imports drop
3. Incomes up, outlays flat
4. Construction spending rebounds

Random Thought Of The Week

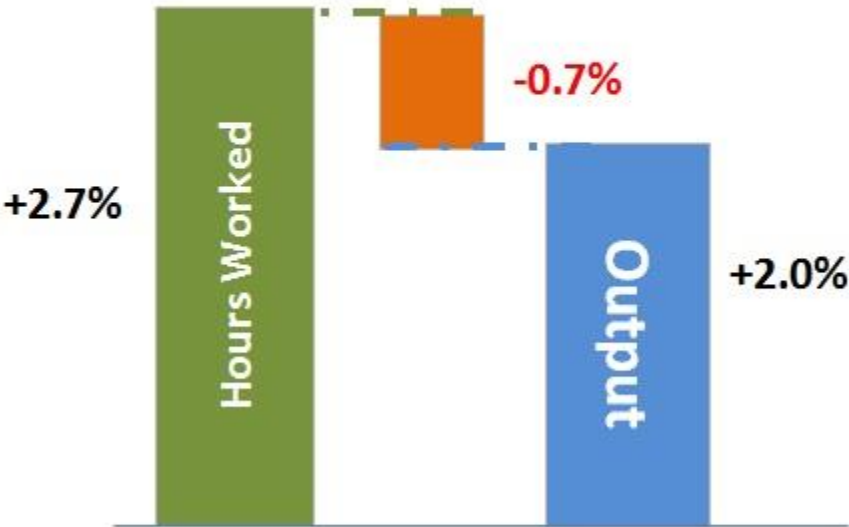
The income and spending data this week showed that Americans are saving more and spending less. While most mainstream analysis of the data pondered the lack of spending growth (actually down slightly), we at Alhambra thought about the implications for another data point reported later in the week. Productivity was down 3.1% in the 1st quarter, the second straight negative quarter. We have been saying for several years now that low productivity growth and low population growth (and dropping workforce participation rate) mean that slow growth is inevitable. Since productivity is ultimately dependent on investment, it is also a



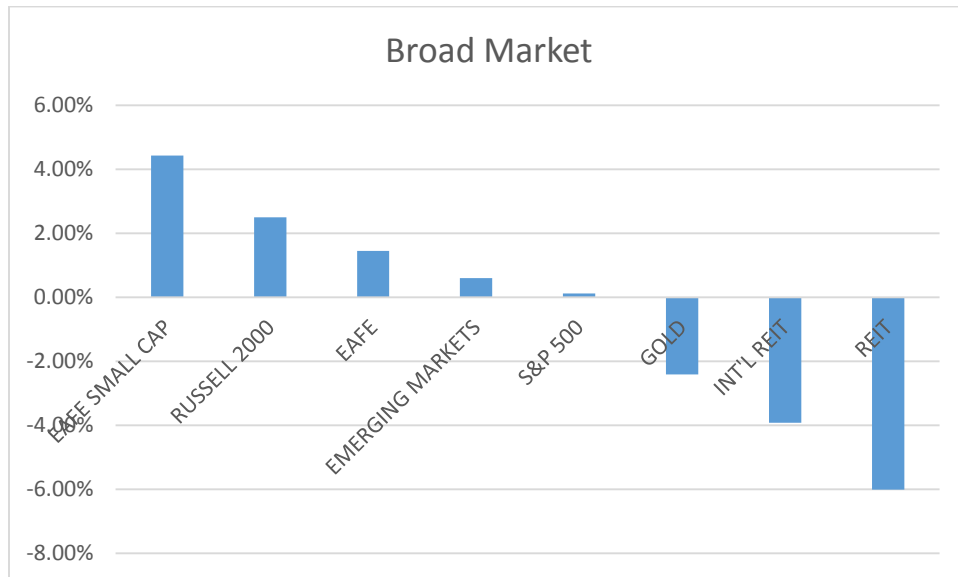
function of savings. So the lack of growth in consumption is actually exactly what the US economy needs. Unfortunately, our policymakers are doing everything in their power to spur spending and limit the attractiveness of saving.

Chart Of The Week

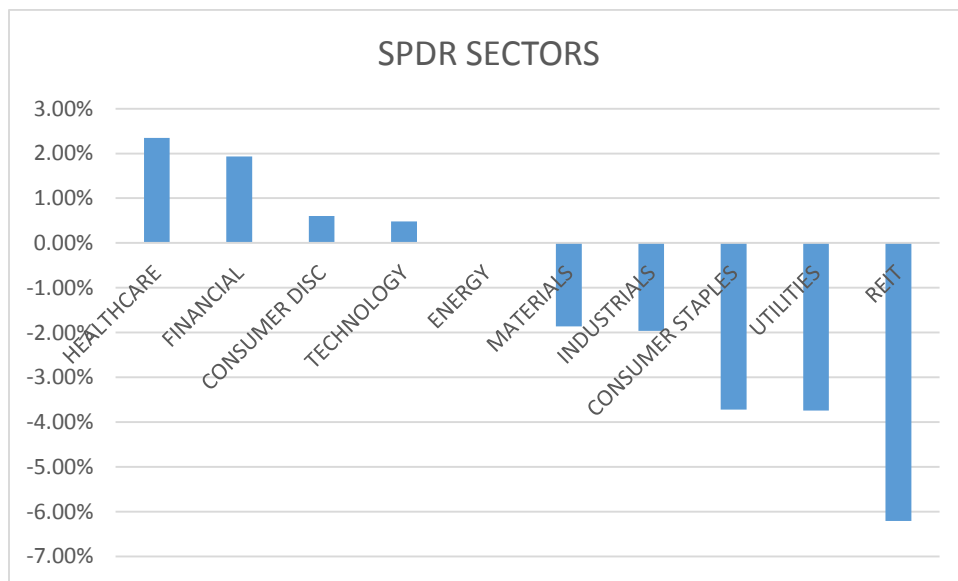
Productivity *Average*
Last 5 Quarters



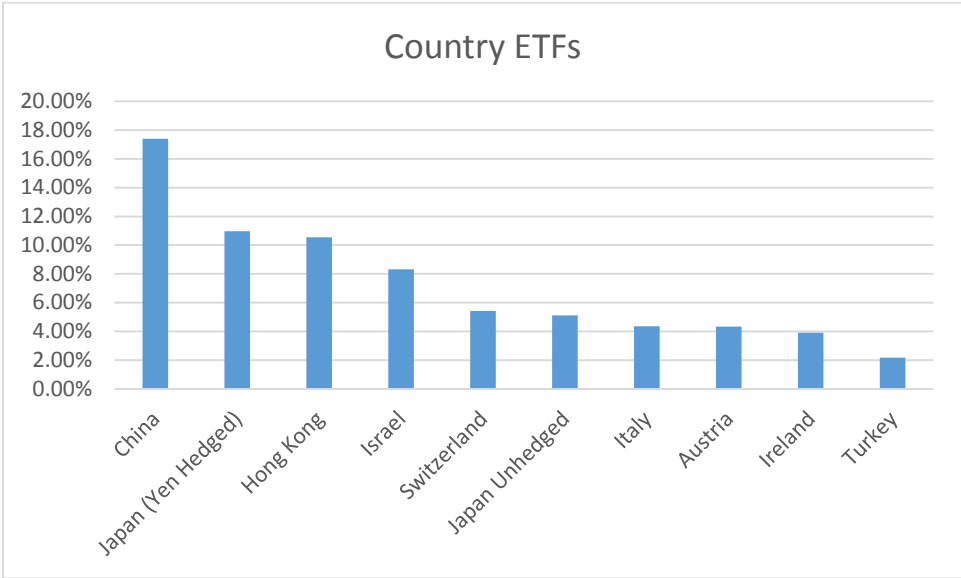
Broad Market – 3-month Returns



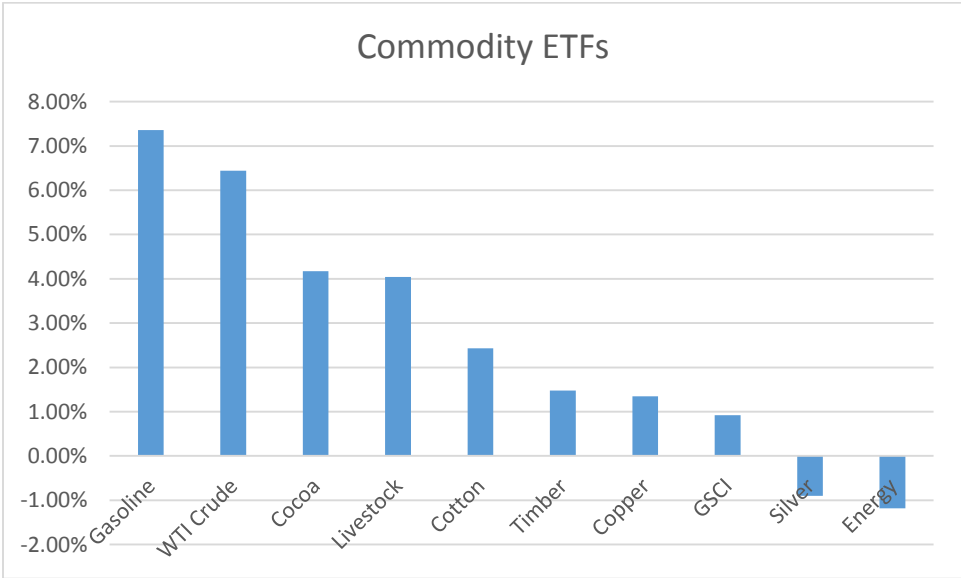
Sector Returns – 3-month Returns



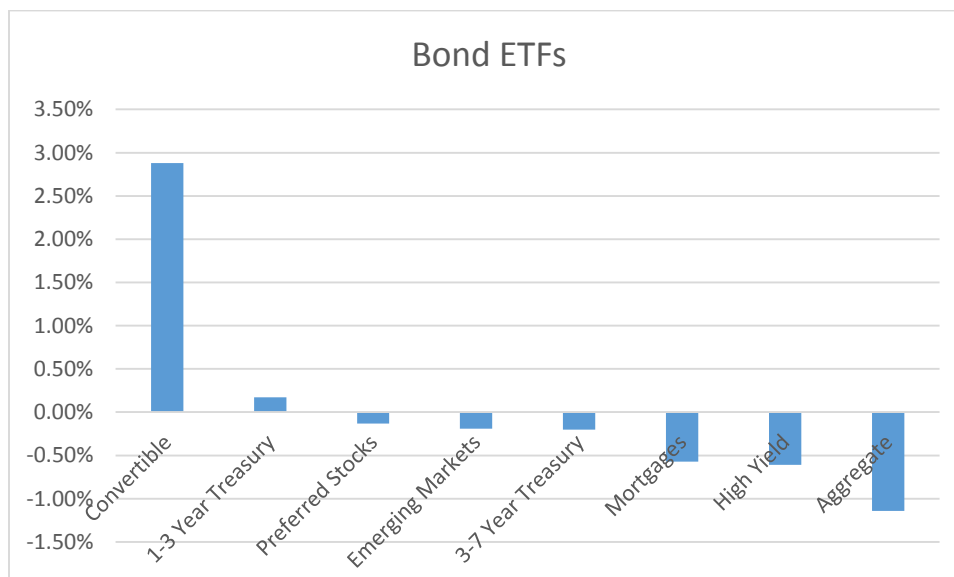
Country Returns – 3-month Returns – Top 10



Commodity Returns – 3-month Returns – Top 10



Bond Returns – 3-month Returns



Valuation Update

Shiller P/E: 26.9 (-0.14%)

Shiller P/E is **62% 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: **2092.83**

Regular P/E: **20** (historical mean:)

Ratio = Total Market Cap / GDP	Valuation
Ratio < 50%	Significantly Undervalued
50% < Ratio < 75%	Modestly Undervalued
75% < Ratio < 90%	Fair Valued
90% < Ratio < 115%	Modestly Overvalued
Ratio > 115%	Significantly Overvalued
Where are we today (06/05/2015)?	Ratio = 125.2% , Significantly Overvalued





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"Wealth preservation and accumulation through thoughtful investing."

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