Goodman Financial
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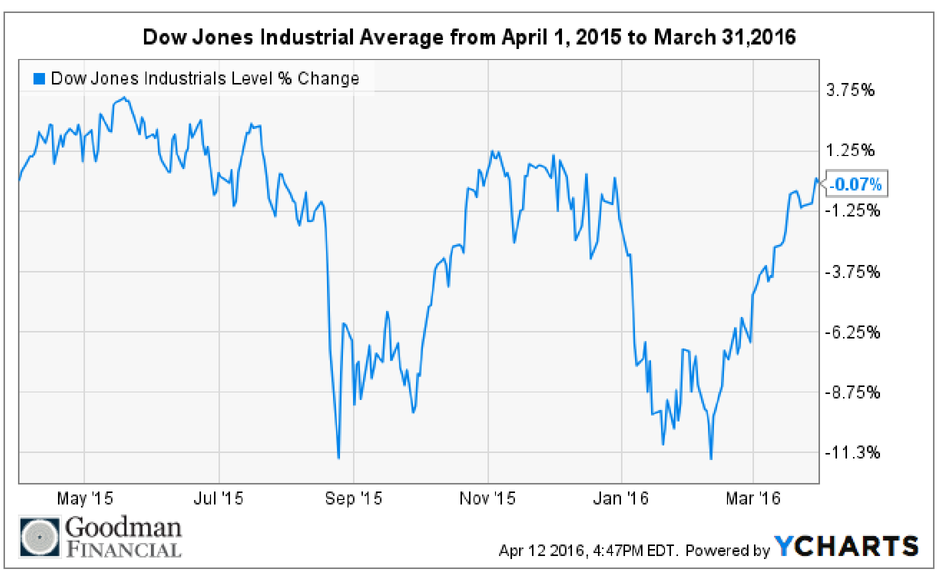
FIRST QUARTER 2016 MARKET & ECONOMIC REVIEW

Major Equity Market Indices: 2016							
		First Quarter 2016*					
Index	Description	12/31/15	High	Low	3/31/16	YTD Return	
DJIA	Dow Jones Industrial Average or "The Dow"; A price-weighted average of 30 major U.S. companies.	17,425.03	17,790.11	15,450.56	17,685.09	⇧	1.49%
S&P 500	A market-capitalization weighted index of the 500 largest U.S. companies.	2,043.94	2,072.21	1,812.29	2,059.74	⇧	0.77%
Nasdaq Composite Index	A market-capitalization weighted index comprised of over 3,000 companies, mostly in the technology and biotech industries.	5,007.41	5,058.06	4,209.76	4,869.85	⇩	-2.75%
NIKKEI 225	A price-weighted index comprised of Japan's top 225 most established companies.	18,450.98	18,951.20	14,865.77	16,758.67	⇩	-9.17%
MSCI Emerging Markets	An index comprised of 23 MSCI indices from emerging economies including Brazil, China, India, Mexico, Russia, South Africa, and the UAE.	794.21	836.80	688.52	836.80	⇧	5.36%
Stoxx Europe 600	An index comprised of 600 companies based in one of 18 EU countries including Austria, Belgium, Denmark, France, Germany, Ireland, Spain, and the United Kingdom.	365.81	365.81	303.58	337.54	⇩	-7.73%

* Excludes effects of dividends — Sources: YCharts, MSCI.com, MarketWatch.com

- The Dow, S&P 500, and MSCI Emerging Markets ended the quarter up, largely on a mid-quarter rally in oil prices and slightly weakened U.S. dollar. The NASDAQ ended down due to its heavy weighting in technology and healthcare.
- Japanese and European markets ended down on the quarter due to continued concerns about their respective economic recoveries. These concerns are reflected in negative yields on government bonds for many European countries and Japan as shown in graph on the bottom of page 2.
- All above indices recovered from a drop that pushed markets down throughout January and the first week of February. The turnaround coincided with oil prices bottoming out in mid-February.
- The U.S. stock market had a volatile 12-month period, as shown in the graphic below, highlighting the wisdom of not panicking in downturns.



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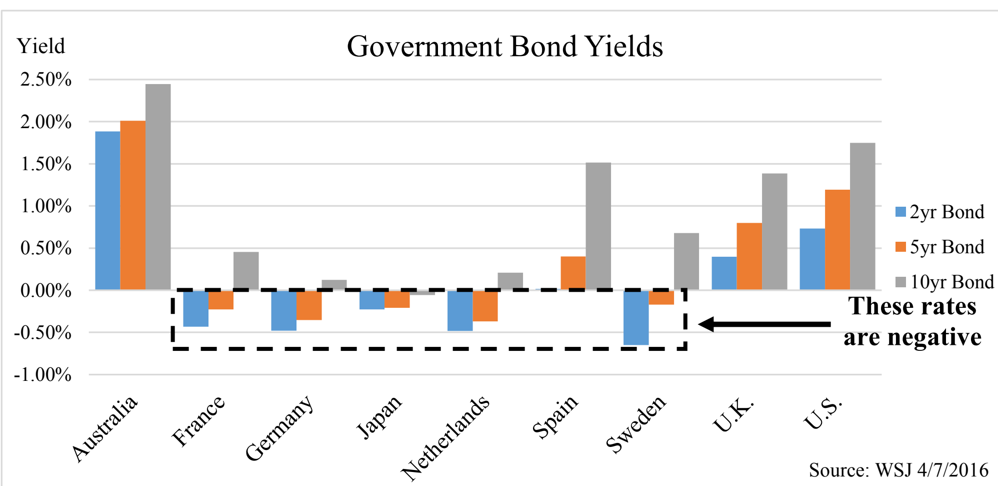
Fixed Income: First Quarter 2016							
	First Quarter 2016				52-Week Range		
Description	12/31/15	3/31/16	QTD Basis Point Change*	Description	3/31/16	Low	High
90 Day Treasury Bill	0.16%	0.21%	↑ 5	Federal Funds Rate Target	0.25-0.50%	0.00%-0.25%	0.25%-0.50%
10 Yr. Treasury Note	2.27%	1.78%	↓ -49	Prime Rate (U.S.)	3.50%	3.25%	3.50%
30 Yr. Treasury Bond	3.01%	2.61%	↓ -40	LIBOR (3-Month)	0.63%	0.27%	0.64%
15 Yr. Mortgage Rate	3.24%	2.98%	↓ -26	5-Year CD	1.39%	1.37%	1.53%
30 Yr. Mortgage Rate	4.01%	3.71%	↓ -30	HELOC ($30,000)	4.58%	4.24%	4.71%

* One basis point is equal to 1/100th of 1%, or 0.01% Sources: Wall Street Journal & YCharts

- The table above shows most interest rates have come down from the previous quarter.
- The Federal Reserve raised its target range for the federal funds rate to a range of 0.25% to 0.50% in December 2015 and has since maintained that level. The Fed continues to monitor economic conditions in the hopes of normalizing (i.e. raising) rates.
- Government bond rates for developed nations paint a mixed picture. European countries and Japan are experimenting with negative interest rates as a way to encourage banks to lend to businesses. This end is accomplished by charging commercial banks to hold their deposits above a certain threshold at a country's central bank. Such an environment makes holding excess cash punitive. While U.S. Fed Chair Yellen said in November 2015 that negative rates are "on the table," the Fed later raised rates that December, a sign that they believed the U.S. economy to be strengthening, even if only incrementally.



- Though interest rates are down from last quarter, they are up from their 52-week lows. This is a sign of economic recovery. Appropriately, the U.S. dollar has somewhat weakened. As a result, U.S. exports become more attractive, though imports become more expensive. A weakening dollar is a good sign for the global economy. Note that a "weakened" dollar, within reason, does not mean that the U.S. economy is in trouble. It means that there is more confidence in some of the economies in the rest of the world, most of which do business with U.S. companies. A weakened dollar also serves to make commodities that are priced in terms of U.S. dollar (e.g. oil) more affordable world-wide, increasing demand, a positive for U.S. producers. Emerging markets have benefitted the most as evidenced by the performance of the MSCI Emerging Markets index on page 1.

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Economic Indicators: First Quarter 2016

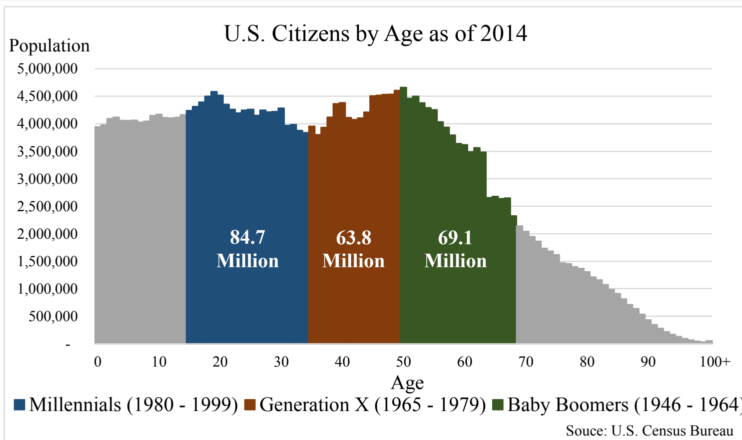
Indicator	Description	12/31/15	3/31/16	QTD % Change
Average Weekly Initial Claims for Unemployment Insurance	The number of new filings for unemployment insurance benefits. **A decrease in the number of claims suggests fewer layoffs.** ***Most economists believe claims below 300,000 indicate a healthy labor market environment.***	287,000	276,000	-3.83%
Unemployment Rate	The percentage of total labor force that is unemployed but actively seeking employment. The unemployment rate has remained flat during the quarter.	5.00%	5.00%	0.00%
Average Weekly Earnings	The average weekly salary earned by private, nonfarm employees. **Average weekly earnings remained stable. This suggests more disposable income for consumers.**	$871	$875	0.38%
Index of Consumer Confidence	This index reflects consumer attitudes towards the state of the economy. **Consumer confidence finished the quarter virtually flat.**	96.30	96.20	-0.10%
Manufacturer's New Orders for Consumer Goods and Materials (Millions)	The number of new orders placed for consumer goods. **Fewer new orders indicates lower demand for consumer goods in the near-term.**	$180,947	$179,654*	-0.71%
Manufacturer's New Orders for Nondefense Capital Goods, Excluding Aircraft (Millions)	This index is the producer's counterpart of new orders of consumer goods and materials. **New orders for nondefense capital goods decreased during the quarter.**	$68,706	$66,972*	-2.52%
US Capacity Utilization: Manufacturing	The ratio of production capacity being used to produce finished products compared to the total capacity available. **Capacity utilization remained relatively stable during the quarter.**	76.43%	76.83%*	0.52%

*These item are as of February 29, 2016, the date of the most recently published statistics

Sources: YCharts, Federal Reserve Bank of St. Louis, The Conference Board

Demographic Observations: Millennials

Much has been said about the demographic shift in the U.S. as Baby Boomers retire and Millennials mature in the workplace. **Millennials are the largest generation ever at 84.7 million.** When Baby Boomers were the ages Millennials are, they numbered 79 million, nearly 6 million fewer. This shift is note worthy given the popular perception that Millennials may prove economically underwhelming due to eschewing the traditional trappings of adulthood: marriage, children, homeownership, and saving. More-recent studies paint an increasingly positive picture of the generation.



- Marriage: An Allstate/*National Journal* poll shows that the majority of Millennials value marriage and want to be married, but they want to achieve financial stability first, an attitude that delays rather than eliminates getting married.
- Children: A report by the National Center for Health Statistics reveals that while births per capita is at an all-time low, the absolute number of births is on par with the post-WWII baby boom. The report also notes that the birth rate for teenage mothers is at an all-time low and that the birth rate for unwed mothers is 15% below its 2007 peak, meaning fewer children born into poverty.
- Homeownership: Millennials are not alone in choosing renting over buying; U.S. Census Bureau data shows homeownership steadily declining since 2008 for all age groups. A report by the Federal Reserve Board of Governors shows Millennials would like to own a home but are waiting to build financial stability—stability they did not grow up with during the Great Recession.
- Saving: A study by Fidelity Investments shows Millennials' savings rate improved to 7.5% in 2015 from 5.8% in 2013.

What we see in these studies is a generation that is turning the corner towards adulthood but who are doing it their way and on their schedule, a mindset that has defined Millennials. The maturation of the largest generation in U.S. history, though slowed by the Great Recession, is economic fuel for the economy.