IdahoTrust

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WealthManagement

SOLUTIONS FOR YOUR LIFENEEDS™

Market Insights

A periodic newsletter from Idaho Trust

The picture surrounding the U.S consumer has begun to demonstrate some modest improvements in recent months. Despite concerns in the financial markets, consumer spending has not shown any meaningful signs of a slowdown. In fact, the employment situation appears to be much better and gains in this area could make meaningful contributions to U.S. economic activity, given that consumer spending accounts for a large portion of the domestic economy.

Consumer Spending

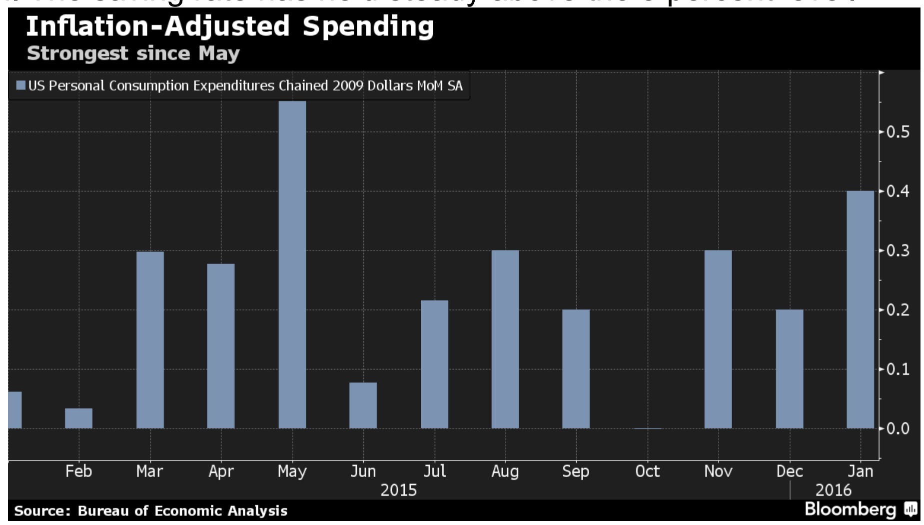
The economic health of the U.S. consumer has begun to experience some gradual improvements. Despite some concerns in the financial markets, consumer spending has not shown any meaningful signs of a slowdown. The increase in consumer spending should help boost growth as well as alleviate worries about the possibility of deflation.

Consumer purchases have been on a slow but steady trend toward higher gains in recent months. In fact, spending so far this year has risen at the fastest pace since last summer. According to the Commerce Department, consumer spending rose 0.5% at the start of the year, which represents a solid acceleration from the 0.1% gain in the prior month. The figures have been ahead of most economists' expectations. The rapid rise in consumer spending is in sharp contrast to several economic forecasts that projected that consumer spending would fall in January.

Idaho Trust Bank offers total wealth solutions including its LifeNeeds™ investing process. The LifeNeeds™ investment process utilizes proven strategies and techniques delivered by a highly trained staff of wealth management professionals.

LifeNeeds™ wealth management accounts feature optimized asset allocations, robust security screening and Idaho Trust's unique TacticLogic™ investment process. All of which are tailored to our clients' unique financial needs.

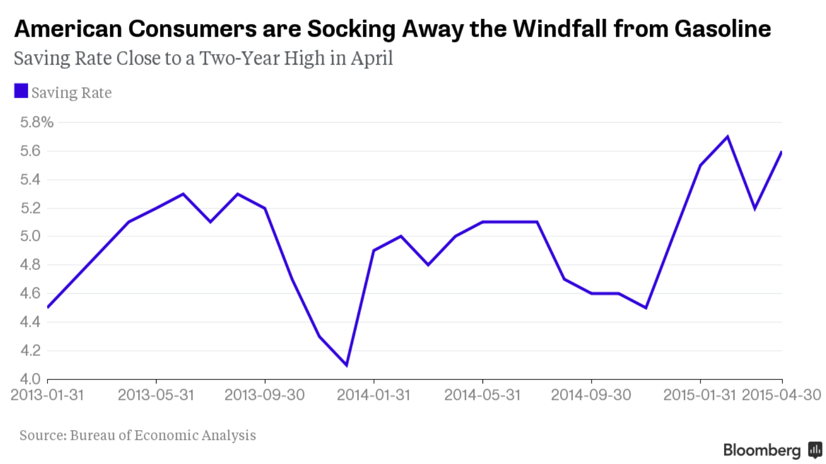
Consumer income rose 0.4% at the most recent reading, following a gain of 0.3% in the prior month. Adjusted for the effect of changes in prices, spending increased 0.4%, which represents the fastest pace since last May. Disposable income, or the money left over after taxes, rose 0.4% for a second month. The saving rate has held steady above the 5 percent level.



Wages and salaries advanced 0.6% following a 0.2% increase.

The labor market has continued to improve over the past few years. Weekly unemployment claims have been at or near healthy levels. In fact, non-seasonally adjusted claims are at their lowest level since 1973. Weekly claims have stayed under 300,000 for almost a year. While the unemployment rate has improved, the labor-force participation rate has remained stubbornly low. Potential employees have not reemerged back into the work force. A good portion of the decline in workforce participation is likely due to retiring baby boomers. A demographic fact that the country is getting older, but the good news is that there appears to be some modest improvement in wages. In January, average hourly earnings rose by 0.5%. Higher wages will eventually boost consumer spending, and ultimately have a positive impact on business activity.

An improvement in the labor markets, lower gasoline prices, and rising home values have contributed to Americans' spending more. This is an important factor to domestic economic health as consumer spending accounts for almost 70% of the economic activity. American consumers have thus far chosen to use these increases to boost their savings rate. This activity is normal following a protracted downturn, but we expect as economic conditions continue to slowly improve the consumer will boost spending.

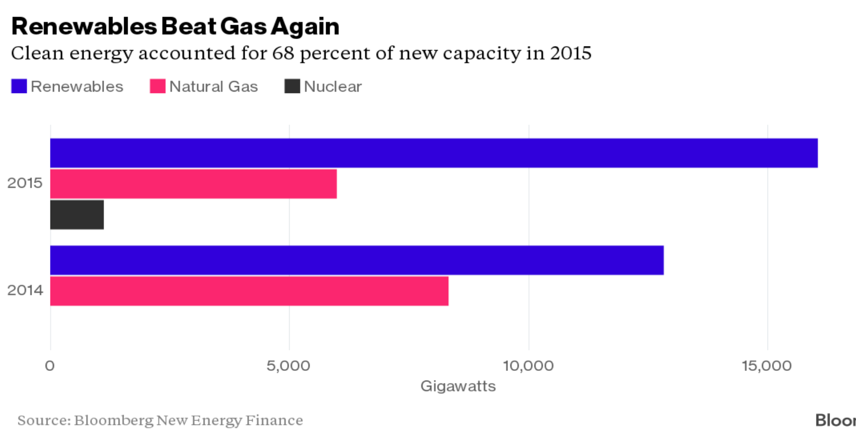


Other measures of U.S. economic growth have been better than expected. The Commerce Department revised its preliminary reading of gross domestic product (GDP) to a 1% annualized increase during the fourth quarter, up from the initial reading of a 0.7%. The improvement reflects a higher value of business inventories built up in anticipation of spring activity. Another encouraging report, durable goods rose by 4.9%. Representing one of the biggest increases in a year. This report stands out because the manufacturing sector has been struggling for the last few months. Looking at the capital-goods orders excluding defense and aircraft that rose by 3.9%, a solid reading.

Renewable Energy

An interesting development in the domestic power market has been a surge in activity in the renewable energy market. In fact, this area accounted for the largest source of new power additions to U.S. electrical grids in 2015. Falling installation prices as well as government incentives have made wind and solar increasingly viable alternatives to fossil fuels. Last year, developers installed 16 gigawatts of clean energy, or about 68% of all new capacity. That was the second straight year of strong gains. The largest increase came from wind farms, with 8.5 gigawatts of new turbines installed as developers took take advantage of federal tax credits.

Domestic clean-energy investments rose to $56 billion last year, up 7.5% from the previous year. The majority of this spending went toward solar and wind energy. Significant technological improvements have been made to the U.S. electric grid to boost efficiency and develop storage systems that help to better manage power usage.



Conclusion

The first quarter may turn out to be one of the best starts from an economic perspective in several years. The Atlanta Fed runs a GDP predictor, and it currently forecasts a Q1 GDP growth of 2.5%. Historically, that is not terribly strong, but it's better than what we've seen in the past few years. Assuming that the economy does not move into a contraction mode, we think a stronger economy will translate into better results in the financial markets.

S&P 500 Index

3 Month	-7.59%
Year-to-Date	-5.09%
1 Year	-6.20%
3 Year	10.66%
5 Year	10.47%

MSCI EAFE Net Index

3 Month	-10.82%
Year-to-Date	-8.93%
1 Year	-15.18%
3 Year	0.65%
5 Year	0.56%

Barclays Aggregate Bond Index

3 Month	1.43%
Year-to-Date	2.10%
1 Year	1.50%
3 Year	2.19%
5 Year	3.59%

As of 2.29.2016

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