Centier

IN THIS ISSUE

MARKET REVIEW

February 2016

ECONOMY

U.S. ECONOMY SLOWS IN FOURTH QUARTER

Global equity markets sold off sharply to begin the New Year as heightened concerns over the effects of the slowdown in China, lower oil prices, and mediocre U.S. economic growth weighed on equity markets. The first estimate of fourth quarter GDP was released and indicated the U.S. economy expanded 0.70%, slightly below the 0.90% consensus estimate. Based on this number, U.S. GDP growth registered 2.4% for the year 2015, the same as 2014. Weaker consumer spending, a decline in exports, and a modest build in inventories were the primary culprits for the weaker reading; there will be two additional updates to Q4 GDP on Feb. 26 and March 25. Although job growth has remained consistently strong and personal income has seen recent gains, it has yet to translate into steady consumer spending. U.S. manufacturing remains weak due to headwinds from a stronger dollar and general weakness in overseas markets.

As was widely expected, the Fed maintained its current monetary policy at this month's meeting, with language from the minutes suggesting a rate hike in March is also unlikely. However, the Fed did not indicate plans to change its policy of gradually increasing rates throughout the rest of 2016 despite global volatility. Fed Chair Janet Yellen acknowledged the Committee is monitoring the global landscape and continues to assess the implications for U.S. labor markets and inflation.

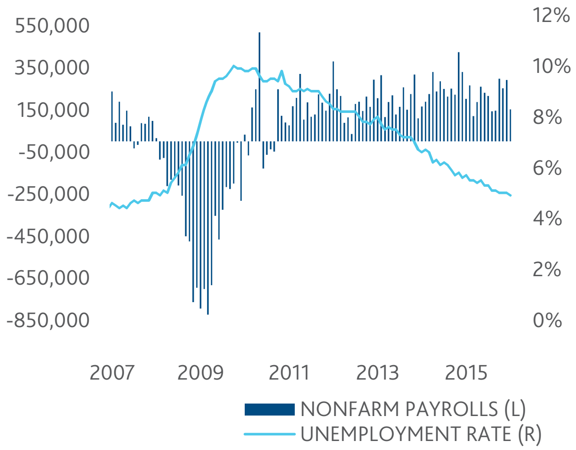
RECENT ECONOMIC INDICATORS

UNIV. OF MICHIGAN CONSUMER SENTIMENT	92
CONSUMER CONFIDENCE	98.1
EXISTING HOME SALES	14.7%
NEW HOME SALES *SAAR	544,000
PERSONAL INCOME, MONTHLY CHG	0.3%
PERSONAL CONSUMPTION EXPENDITURES, MO CHC	0.0%
NON-FARM PAYROLL	292,000
UNEMPLOYMENT RATE	5.0%
ISM NON-MANUFACTURING INDEX	55.3
ISM MANUFACTURING INDEX (PMI)	48.2
NEW DURABLE GOODS ORDERS, MONTHLY CHG	-5.1%
INDUSTRIAL PRODUCTION MONTHLY CHG	-0.4%
CAPACITY UTILIZATION	76.5
RETAIL SALES, MONTHLY CHG	-0.1%
CPI, MONTHLY CHG	-0.1%
CPI CORE, MONTHLY CHG, NSA	0.1%
PPI, MONTHLY CHG, NSA	-0.2%
PPI CORE, MONTHLY CHG, NSA	0.1%
U.S. TRADE DEFICIT	48.2
Q3 2015 NON-FARM PRODUCTIVITY, QTRLY CHG	2.2%
Q4 2015 REAL GDP, QUARTERLY CHANGE, SAAR*	0.7%

*Seasonally Adjusted Annual Rate. Values reflect most recent data available at the time of publication. Source: Bureau of Economic Analysis of the U.S. Department of Commerce, U.S. Department of Labor, Federal Reserve, Thomson Reuters, University of Michigan, Institute for Supply Management, National Association of Realtors, The Conference Board, U.S. Census Bureau, Bloomberg.

NONFARM PAYROLLS & UNEMPLOYMENT RATE

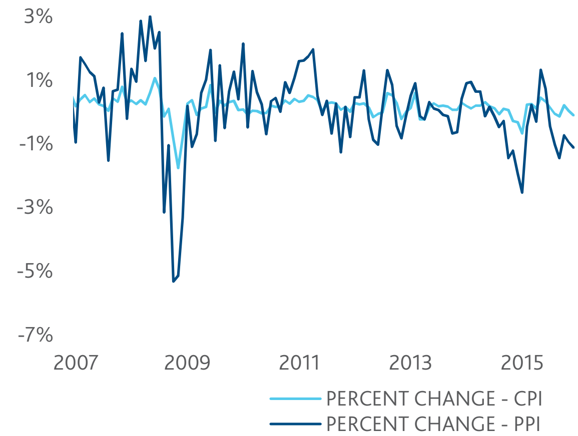
MONTHLY, JANUARY 2007 THROUGH JANUARY 2016



Source: Federal Reserve Bank of St. Louis

CHANGE IN PPI AND CPI

MONTHLY, JANUARY 2007 THROUGH DECEMBER 2015



Source: Federal Reserve Bank of St. Louis

Global equity markets produced negative returns in the month of January, with U.S. equities declining across market cap sectors and international stocks also declining for the month. The S&P 500 Index returned -5.0% in January and small cap stocks lost ground as the Russell 2000 Index returned -8.8% for the month. International developed markets fell for the month of January as the MSCI EAFE Index lost 7.2%. Emerging markets also declined with a loss of 6.5% for the MSCI Emerging Markets Index in January.

EMPLOYMENT

Initial jobless claims rose in the final week of January but remained at a very low level, suggesting the labor market is still sound despite a rocky start to 2016 for the U.S. economy. Initial claims for state unemployment benefits increased 8,000 to a seasonally adjusted 285,000 for the week ended January 30, according to the Labor Department. The prior week's claims were also revised to show 1,000 fewer applications received than previously reported. Despite the increase, claims remained below the 300,000 threshold, a level associated with strong labor market conditions for the 48th straight week, the longest run since the early 1970s. The four-week moving average of claims, considered a better measure of labor market trends as it irons out week-to-week volatility, rose 2,000 to 284,750. Also in the Labor Department's report, the number of continuing unemployment benefit claims, those drawn by workers for more than a week, fell 18,000 to 2.26 million in the week ended January 23.

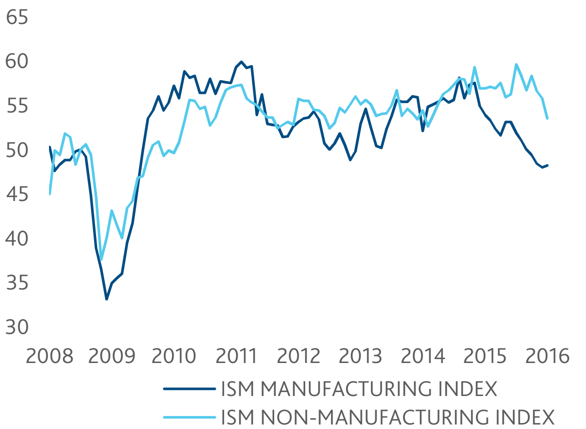
CONSUMER

The latest Conference Board Consumer Confidence Index unexpectedly rose in January as lower gasoline prices and strong job growth more than offset a sharp stock market decline. The Consumer Confidence Index hit 98.1 in January, up from a revised 96.3 in December 2015. Analysts expected a reading of 96.5 in January, unchanged from the previous month, according to Thomson Reuters consensus estimates. "Consumers' assessment of current conditions held steady, while their expectations for the next six months improved moderately," Lynn Franco, director of economic indicators at The Conference Board, said in a release. "For now, consumers do not foresee the volatility in financial markets as having a negative impact on the economy."

DURABLE GOODS ORDERS

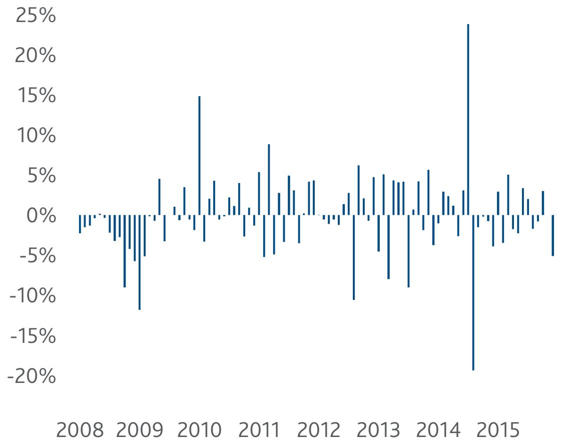
Durable goods orders came in well below expectations, with December's orders dropping 5.1%. Orders for capital goods, excluding aircraft and defense, fell 4.3%. The weak global economy, especially the slowdown in China, has hurt U.S. manufacturers over the past year and strengthened the dollar, which makes U.S. goods more expensive overseas. Aircraft orders, which are volatile, tumbled last month and contributed to much of the weak showing. Demand fell 69.1% for defense-related aircraft and 29.4% for non-defense aircraft. Orders for motor vehicles, which generally have risen over the past year amid strong consumer demand, slipped 0.4%. Other categories also struggled as orders fell

ISM REPORT ON BUSINESS ACTIVITY
INDEX LEVELS FROM JANUARY 2008 THROUGH JANUARY 2016



Source: Federal Reserve Bank of St. Louis
Level above 50 indicates expansion

NEW DURABLE GOODS ORDERS
MONTHLY % CHANGE, JANUARY 2008 THROUGH DECEMBER 2015



Source: Federal Reserve Bank of St. Louis

5.6% for machinery such as factory equipment, 2% for computers and electronics products, and 0.5% for fabricated metals.

HOUSING

Sales of new single-family homes in the U.S. surged in December to their highest level in 10 months, with 2015 marking the strongest year for this segment of the housing market since 2007. New home sales surged 10.8% in the final month of the year to a seasonally adjusted rate of 544,000, according to the Commerce Department. This figure was well above November's revised rate of 491,000 (annual, seasonally-adjusted) and marked the third consecutive monthly gain since sales collapsed in September. December sales were most likely buoyed by unseasonably mild weather and a rise in the supply of homes on the market, which increased choices for buyers. December's figures pushed 2015 into a strong finish, with 14.5% more homes sold last year than in 2014. In 2015 a total of 501,000 new homes were sold, while in 2014 only 437,000 new homes sold. This good news for the housing market comes on the heels of another positive report which showed existing home sales were also up in 2015 at 5.26 million, their highest level since 2006.

INTERNATIONAL

Japan's move to reduce its policy rate to -0.1% from 0.1% was a catalyst for equity market gains on the last trading day of the month. The Bank of Japan voted to ease policy further in an effort to stoke its flailing economy. In response to the move, the yen depreciated against the dollar while its domestic equity market, the Nikkei 225, rallied sharply higher. The surprise cut was welcomed by much of the global investment community, including the U.S., which saw its domestic indexes rally more than 2% on the news. Earlier comments from European Central Bank president, Mario Draghi, stated that the ECB will need to review and reconsider its monetary policy at its March meeting as downside risks have increased in 2016. Draghi's comments also indicated the ECB could increase its stimulus measures. China's economic growth rate slowed to 6.8% in the fourth quarter and 6.9% for 2015, the slowest quarterly growth since the first quarter of 2009, and the slowest annual growth in 25 years. The slowdown in China and the impact of low commodity prices on export-oriented developing countries prompted the International Monetary Fund to cut its global growth forecast to 3.4% in 2016 and 3.6% in 2017. The IMF projects strong growth in India and some parts of emerging Asia, whereas the recessions in Brazil and Russia are projected to be deeper than previously forecasted.

EQUITIES

OIL, SLOWING GROWTH WORRIES PUNISH STOCKS WORLWIDE

January was a weak month for stock markets worldwide. Investors fled equities to other safe haven assets as oil prices plummeted to below $30 a barrel, and declines in China's stock market and economic growth spread fear of an impending global recession. The 10% decline in China's Shanghai Composite Index in the first week of the year added to the already heightened investor anxiety after a weak December. The Dow Jones Industrial Average closed at 16,466.30, declining 5.4% in January, the worst monthly decline for the index since August 2015. The S&P 500 Index finished the month at 1,940.24, falling 5.0%. The NASDAQ Composite Index ended January at 4,631.95, posting the weakest performance of all three indexes for the second consecutive month, down 7.8%. Net outflows of U.S. equity funds were $22 billion in January, according to Bank of America/Merrill Lynch Global Investment Strategy.

According to Factset, nearly 40% of S&P 500 companies had reported fourth quarter earnings results as of month end. Nearly 72% of companies beat consensus earnings expectations (slightly higher than the five-year average) and 50% reported above the mean sales estimate (lower than the five-year average). The average earnings beat of 1.7% is below the five-year historical average of 4.9%. Earnings are now expected to be down 5.8%, with the biggest declines coming from the Energy and Materials sectors. The stronger dollar, lower oil prices, slower global

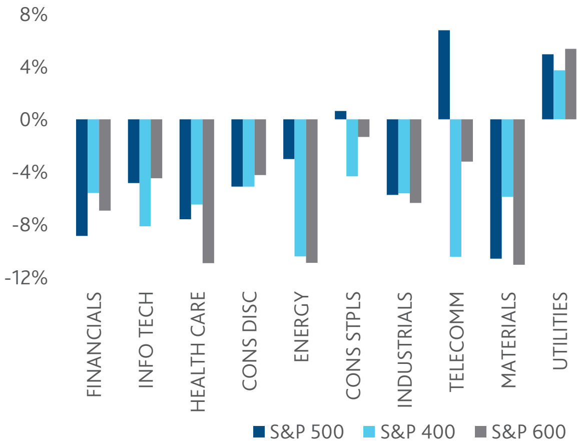
TOTAL RETURNS	1 MONTH	YTD
DOW JONES INDUSTRIAL AVERAGE	-5.39%	-5.39%
S&P 500	-4.96%	-4.96%
S&P 400 MIDCAP	-5.69%	-5.69%
S&P 600 SMALL CAP	-6.17%	-6.17%
S&P 100	-4.58%	-4.58%
NASDAQ COMPOSITE	-7.82%	-7.82%
RUSSELL 2000	-8.79%	-8.79%
MSCI EAFE	-7.22%	-7.22%
MSCI EAFE SMALL CAP	-7.86%	-7.86%
MSCI EMERGING MARKETS	-6.48%	-6.48%

1 MONTH AND YTD AS OF: 1/31/2016

Values reflect most recent data available at the time of publication.
Past performance does not guarantee future results.
Source: Morningstar, Inc.

EQUITY INDEX SECTORS

YEAR TO DATE RETURN AS OF JANUARY 31, 2016

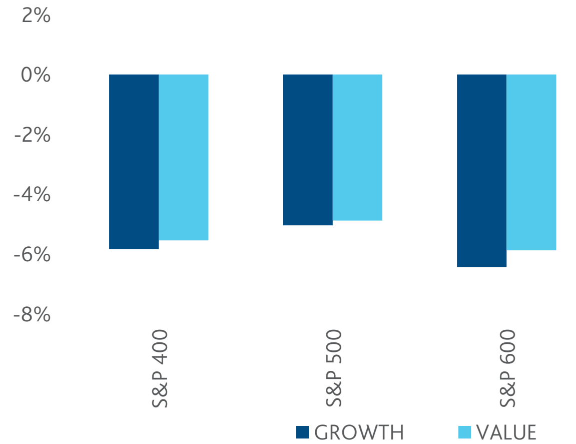


Source: Morningstar

Past performance does not guarantee future results.

EQUITY INDEX PERFORMANCE GROWTH VS. VALUE

YEAR TO DATE RETURN AS OF JANUARY 31, 2016



Source: Morningstar

Past performance does not guarantee future results.

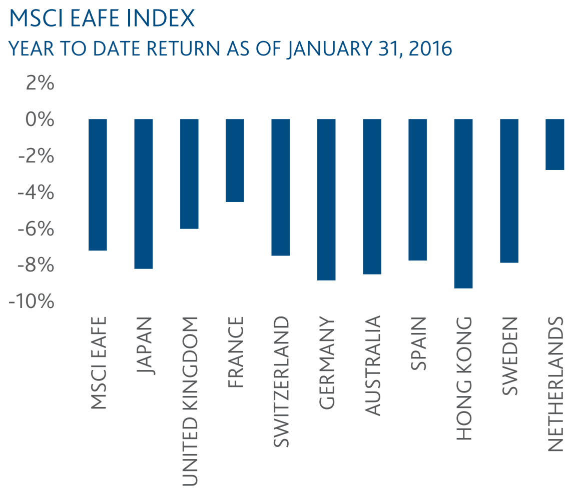
economic growth, and higher wages are being blamed by company managements. This will represent the largest year-over-year earnings decline since the 15.5% decline in the third quarter of 2009. Analysts predict revenue growth will return in the first quarter of 2016, but earnings are not expected to show year-over-year increases until the second quarter.

Materials (-10.6%), Financials (-8.9%), and HealthCare (-7.6%) posted the worst large cap sector declines. Within the Materials sector, weakness was seen in Freeport McMoRan (-32.1%), CF Industries (-26.5%), and Alcoa (26.2%). Despite the announcement of production curtailments at Freeport McMoRan, plunging oil and copper prices continued to weigh on the stock. American Express (-22.7%) fourth quarter results were impacted by competitive and regulatory factors, as well as pressure on merchant fees, while Charles Schwab (-22.5%) was also weak in the Financials sector. Biotech stocks (as measured by the NASDAQ Biotechnology Index), which had increased over 175% in the last five years through year-end 2015, fell 20% in the month of January. Besides profit taking in general, several leading biotech companies reported "relatively light" fourth quarter results, according to one Wall Street analyst. Only three sectors posted positive returns: Consumer Staples (+0.7%), Utilities (+4.9%), and Telecom Services (+6.8%). Within Telecom Services, Verizon reported better than expected results for Q415, including growth on the top and bottom line helped by increased subscriptions and a decline in defections. AT&T increased prepaid subscriptions by nearly 16% over last year.

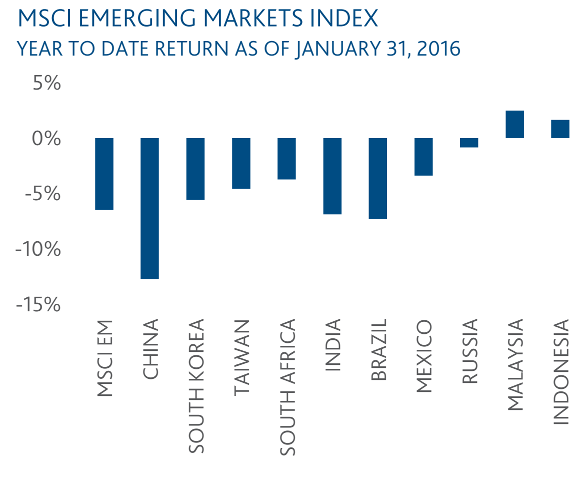
Small and mid cap stocks underperformed large cap equities in the month of January as they did last year. The S&P Small Cap 600 Index declined 6.2%, while the S&P Mid Cap 400 Index fell 5.7%; both worse than the 5% decline for the S&P 500 Index. There was no noteworthy difference in style performance across the different market cap indexes in January.

International markets behaved similarly, with virtually no country's stock markets safe to hide from the selling. The macro forces moving the American markets – plummeting oil, a strong dollar, slowing economic growth – are global forces rather than just domestic, and are therefore shaping equity returns around the world. The MSCI Index of German stocks dropped almost 9% in the month, in USD terms, with France and the UK softer by 5% and 6%, respectively. The UK's referendum on whether to stay in or leave the European Union is likely to be held in either June or September of this year, and their markets will surely move around in anticipation of the vote. Overall, European stocks posted their worst January since 2008.

One would think that Japan, with its heavy dependence on imported oil, might be a net beneficiary of lower oil prices. The specter of slowing global growth, especially from neighbor China, overwhelmed that sentiment and Japanese



Source: Morningstar
Past performance does not guarantee future results.



Source: Morningstar
Past performance does not guarantee future results.

stocks fell 8% in the month. The Bank of Japan surprised investors on the last trading day of the month by cutting the rate that commercial banks hold with it to a negative 0.1%. In 2014, when the ECB did the same thing, the move helped force European banks to push funds out into their economies. The MSCI EAFE Index, comprised of approximately 50% Western Europe and 20% Japan, dipped over 7% in January.

Major emerging markets fared little better, as the MSCI EM Index fell over 6% in the month, in USD terms. As with developed markets, equity markets were lower around the world, with EM Europe dropping 3%, EM Latin America lower by almost 5%, and EM Asia by 7%. Chinese equities were among the worst performers around the world, dropping almost 13%. The Chinese Securities Regulatory Commission implemented a new circuit breaker mechanism on the first trading day of the year, but the effort to control volatility backfired. The measures forced suspension of trading twice in 2016's first week, causing the CSRC to suspend the system. Later in the month, the country reported fourth quarter 2015 GDP growth of 6.8%, marking continued gradual deceleration of growth. Chinese economists are forecasting 2016 GDP growth of 6.5%, although many analysts and investors outside of China doubt the accuracy of the Chinese government figures.

FIXED INCOME

BONDS RALLY AS INVESTORS CLING TO SAFETY AMID MARKET TURMOIL

With equity market turmoil continuing into the New Year, fixed income has held up nicely with nearly all sectors positive year to date. The exceptions are high yield (-1.58%) and to a lesser extent bank loans (-0.38%). Long-term treasury bonds have performed the best in this asset class (+5.02%) as the long duration exposure has worked in their favor as interest rates have declined amid equity market weakness and continued global growth concerns. The Barclays U.S. Aggregate Bond Index returned 1.38% this month, 6.34% more than the S&P 500 returned (-4.96%).

The Bank of Japan voted this month to ease policy further in an effort to stoke its flailing economy; the market was surprised by the decision to reduce the policy rate to -0.1% from +0.1%. In response to the move, the yen depreciated against the dollar while its domestic equity market, the Nikkei 225, rallied sharply higher. However, in U.S. dollar terms, the Nikkei 225 finished the month nearly 8% lower. Japan is now the ninth country that has set its policy rate in negative territory. Consensus is building for the Fed to remain on hold with its interest rate normalization process given these conditions.

The Fed maintained its current monetary policy at this month's meeting (which occurred before Bank of Japan's decision) and did not make further adjustments to the

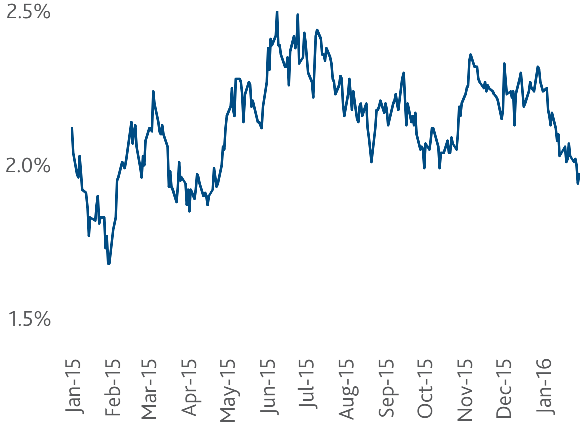
FIXED INCOME CURRENT YIELDS	1/31/2016
3 MONTH U.S. T-BILL	0.33%
2 YEAR U.S. TREASURY	0.76%
5 YEAR U.S. TREASURY	1.33%
10 YEAR U.S. TREASURY	1.94%
30 YEAR U.S. TREASURY	2.75%

TOTAL RETURNS	1 MONTH	YTD
BARCLAYS U.S. AGGREGATE	1.38%	1.38%
BARCLAYS U.S. GOVT./CREDIT INTR	1.24%	1.24%
BARCLAYS U.S. MUNICIPAL BOND	1.19%	1.19%
BARCLAYS U.S. CORP. HIGH YIELD	-1.61%	-1.61%
BARCLAYS U.S. LONG CREDIT A	0.26%	0.26%
BARCLAYS U.S. TREASURY 20+ YEAR	5.23%	5.23%
BARCLAYS GLOBAL AGGREGATE	0.87%	0.87%
BARCLAYS EMERGING MARKET (USD)	-0.03%	-0.03%
BARCLAYS U.S. MBS	1.30%	1.30%
BARCLAYS U.S. TREASURY TIPS	1.48%	1.48%
S&P/LSTA LEVERAGED LOAN	-0.65%	-0.65%

1 MONTH AND YTD AS OF: 1/31/2016

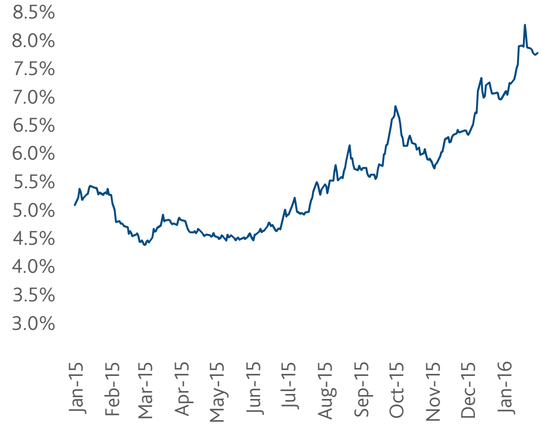
Values reflect most recent data available at the time of publication.
Past performance does not guarantee future results.
Source: Morningstar, Inc., U.S. Department of the Treasury, Barclays Capital

10-YEAR U.S. GOVERNMENT BOND YIELD
JANUARY 2015 THROUGH JANUARY 2016



Source: Federal Reserve Bank of St. Louis
Past performance does not guarantee future results.

U.S. CORPORATE HIGH YIELD BOND SPREAD
JANUARY 2015 THROUGH JANUARY 2016



Source: Federal Reserve Bank of St. Louis

federal funds rate. While it was widely expected that the Fed would keep rates unchanged, there were some rumblings that it may provide guidance suggesting the current financial market turmoil and energy market weakness would eliminate the possibility of a rate hike at its March meeting. However, the Fed held steady with its views from previous meetings and its rate hike plans appear to remain in place at the moment, despite market indications to the contrary.

Interest rate strategists expect the U.S. Treasury to reduce issuance of bonds maturing in a few years while increasing issuance of shorter-term bills. Mark Cabana, Bank of America U.S. interest rate strategist, said the government is well-positioned to meet its short-term funding needs which will allow the government to reduce issuance of two-year, three-year, and possibly five-year notes. The federal government's funding needs have declined as last year's U.S. budget deficit reached the lowest level since 2007. Reduced supply of bonds could put downward pressure on Treasury yields given the recent increase in demand for safer assets, such as Treasuries, driven by heightened investor concern about global economic growth.

The Federal Reserve sent a record $97.7 billion in profits to the Treasury Department in 2015. The previous record was $96.9 billion in 2014. The Fed's revenue comes from interest on its portfolio of bonds and other assets. The Fed uses its revenue to cover operating expenses, pay dividends to member banks, and reserve funds for the central bank's surplus capital account. Remaining profits are sent to the Treasury Department to help pay the federal government's bills. Profits sent to the Treasury have grown since the financial crisis because of the Fed's three rounds of quantitative easing which expanded the central bank's balance sheet to over $4 trillion. In addition to Fed profits, the Treasury also received $19.3 billion from the central bank's surplus capital account as part of the new five-year highway bill. Fed Chairwoman Janet Yellen strongly opposed the legislation and said taking the Fed's resources to pay for highway construction "sets a bad precedent and infringes on the independence of the central bank. It weakens fiscal discipline."

Goldman Sachs reached a settlement with the Justice Department over the sale of mortgage-backed securities. Goldman agreed to pay about $5.1 billion, the largest regulatory penalty in the firm's history. Similar to previous investigations into other banks, the Justice Department alleged that Goldman misrepresented the quality of the mortgage-backed securities they packaged and sold between 2005 and 2007. The cost of settlements, fines, and other expenses related to the financial crisis total more than $181 billion, according to litigation consulting firm Navigant.

ALTERNATIVE INVESTMENTS

COMMODITIES, HEDGE FUNDS, AND REITS ALL FALL

Commodities, hedge funds, and real estate investment trusts (REITs) all fell in January. Commodity losses slowed in January from where they ended 2015, with the Bloomberg Commodity Index falling 1.7%. The HFRX Global Hedge Fund Index fell 2.8% to start the year. And finally, the FTSE NAREIT All REITs Index fell 3.5%. Alternatives held up to their hedging capabilities this month, with each of the three categories falling less than the broader market as measured by the S&P 500.

COMMODITIES

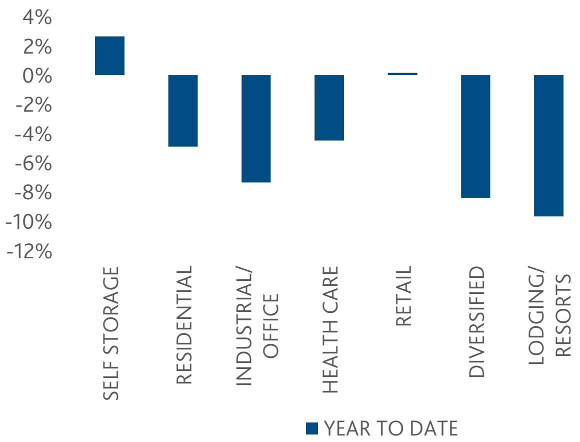
Commodities continued their losing streak to start the year, with the Bloomberg Commodity Index falling 1.7% in January. Oil and agricultural commodities as a whole contributed to the loss, while gold and grain commodities performed well. Gold rose 5.3% in the month, its best month in over a year, following increasing concerns over the global growth outlook, once again proving the precious metal's status as a safe-haven investment. While agricultural commodities as a whole fell during the month, grain commodities like corn and wheat performed well, gaining 3.6% and 2.0%, respectively.

PRICE CHANGE	1 MONTH	YTD
BLOOMBERG COMMODITY INDEX	-1.68%	-1.68%
W TEXAS CRUDE INT OIL BL	-9.35%	-9.35%
S&P GSCI COPPER SPOT	-3.08%	-3.08%
S&P GSCI GOLD SPOT	5.30%	5.30%
TOTAL RETURN		
NAREIT-ALL EQUITY REITS	-3.52%	-3.52%
NAREIT-INDUSTRIAL/OFFICE	-7.33%	-7.33%
NAREIT-RESIDENTIAL	-4.88%	-4.88%
NAREIT-ALL REITS	-3.48%	-3.48%
S&P GLOBAL PROPERTY EX-US	-6.36%	-6.36%
HFRX GLOBAL HEDGE FUND INDEX	-2.76%	-2.76%

1 MONTH AND YTD AS OF: 1/31/2016
Values reflect most recent data available at the time of publication.
Past performance does not guarantee future results.
Source: Morningstar, Inc.

REIT SECTOR PERFORMANCE

YEAR TO DATE RETURN AS OF JANUARY 31, 2016

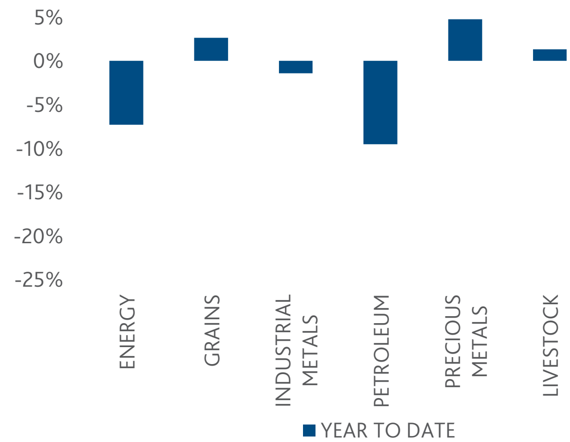


Source: Morningstar

Past performance does not guarantee future results.

COMMODITY SECTOR RETURNS

YEAR TO DATE RETURN AS OF JANUARY 31, 2016



Source: Morningstar

Past performance does not guarantee future results.

January was an especially volatile month for oil, with West Texas Intermediate finishing the month down 9.0% and Brent Crude falling 6.8%. Oil fell the first two full weeks of the month, breaking through the $30 level and hitting a 14-year low, closing at $26.55 on January 20. The commodity has recovered some of the ground it lost since then, and has even finished the last two weeks with gains. The second-to-last trading day of the month was especially strong as prices surged following remarks from Russia's energy minister that Russia, along with OPEC countries, could discuss production cuts in a February meeting as a way to bolster weak prices. While OPEC denied an emergency meeting was called, the organization did say an earlier proposal to cut production by 5% had been suggested by some members. Iran, which recently had sanctions against it lifted, said it would not consider a reduction until its production increased by 1.5 million barrels a day over its current level, leading many to suspect Russia's claim. OPEC production rose again in January, to 32.6 million barrels per day.

Economic bellwether, Caterpillar Inc., confirmed many suspicions that 2016 is likely to be another tough one for the commodity market when it reported revised 2016 guidance. The company expected sales and revenue to be less than the preliminary guidance it gave in October, citing the continued decline in commodity prices as a main weakness. Further, the World Bank cut its 2016 price target for 80% of the world's major commodities last month as oversupply and weaker emerging market growth prospects weighed on demand.

HEDGE FUNDS

Hedge funds fell in January, with the HFRX Global Hedge Fund Index losing 2.8% to start the year. Macro and event-driven funds did relatively well throughout the month, while equity-driven strategies struggled along with the broader market. After several years of underperformance relative to broader market indexes, hedge funds as an asset class remain under pressure by investors who are demanding more return for the high fees the funds charge to manage their money. A report published by Hedge Fund Research showed hedge funds actually experienced a net capital outflow of $1.52 billion in the fourth quarter of 2015, the first quarterly net outflow since the fourth quarter of 2011.

REITs

Real estate investment trusts fell to start the year, with the FTSE NAREIT All REITs Index falling 3.5% in January. While REITs, like other asset classes, were impacted by global macroeconomic concerns, they were able to outperform the broader market on a relative basis. While many industry analysts remain cautious on REITs, they believe the asset class is in a good position when compared to other sectors due to low leverage levels, stable cash flows, and the fact that some high quality REITs are trading at less than net asset value. The focus of the REIT market has shifted from uncertainty surrounding the timing of an interest rate move to the impacts of the global economy.

Centier Bank
600 East 84th Ave.
Merrillville, IN 46410-6366
219-755-6110