VAN LEEUWEN & COMPANY, LLC

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QUARTERLY NEWSLETTER

As we reflect on the 2nd quarter, there were many events which affected the global markets. We saw a double-digit decline followed by a double-digit recovery in U.S. equities, stock prices remained uneven as investors focused on the Federal Reserve policy, we saw mixed economic and earnings data and, most recently, the political and financial turmoil following the Brexit vote.[1] In our opinion, here are a few key factors which influenced the global markets in the.

HIGHLIGHTS

- ✓ U.S. EQUITIES ENDED THE QUARTER HIGHER
- ✓ BRITAIN WITHDREW FROM THE EU
- ✓ CHINA'S ECONOMY GREW

KEY FACTORS INFLUENCING GLOBAL MARKETS

U.S. equities ended the quarter higher, with the S&P 500 advancing 2.5%[2]. U.S. equities achieved the majority of their gains for the quarter during the month of May when macroeconomic news flow improved, including an upgrade to 1st quarter U.S. GDP growth. However, these gains were reversed in June, as the probability of a near-term rise in interest rates began to rapidly diminish.

In bond markets, the Barclays U.S. Aggregate Index rose 2.2%[3]. The yield on the benchmark 10-year Treasury note fell 29 basis points to 1.49%. Political and economic uncertainty provided another volatile quarter. Although the Fed had signaled in May that it may raise rates over the summer, weak employment growth and the Brexit referendum instead drove Treasury yields down.

Britain's withdraw from the European Union (EU) on June 23rd and London's future as a financial center is in question. There will be headaches all around but most U.S. companies should be able to navigate the changes. It has triggered a strong dollar hurting U.S. exports and putting the Fed in a dilemma over rate hikes.

European equity markets as a group fell in the 2nd quarter, mainly due to the historic U.K. referendum vote to leave the European Union (EU). Overall, the FTSC Europe Index fell 2.2%.

China's economy grew 6.7% in the 2nd quarter, as a buoyant property market and government stimulus boosted demand for factory output[4]. The economy is in the midst of a wrenching transition from a growth model based on construction and heavy industry towards greater reliance on consumption and services.

Crude oil gained more than 25% over the quarter, ending June above $48 a barrel[3] because of easing pressure on supply. Other energy commodities rebounded as well.

WHAT'S NEXT?

Addressing one of the most common questions client are asking, whether the current market volatility presents a buying opportunity, our quick answer is that it might. For now, from a valuation perspective U.S. equities are not very attractive in our base case scenario and does not warrant overweight in the portfolio. International equities are at an attractive valuation but near term risks pose potential downside and risk/reward is not in our favor to overweight them. Should we see further decline in these markets as the ones we saw in the first few days after Brexit, we may consider adding to our exposure.

As always, Van Leeuwen & Company remains strongly committed to focusing everything we do with your best interest in mind for your continued confidence and the trust which you have bestowed upon us.

The Van Leeuwen & Company Team

[1] Morningstar Direct, Bloomberg and FactSet as of 6/24/16.
[2] Morningstar Direct.
[3] Capital group - World markets commentary 2016
[4] Financial Times