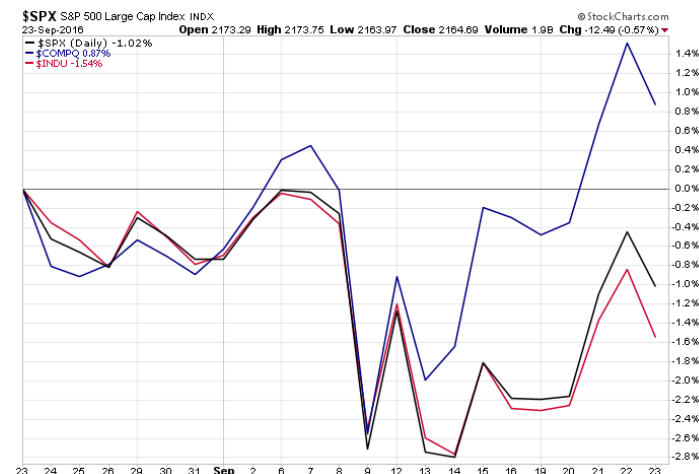


MONDAY MORNING KICKOFF

YOUR MARKET PRIMER FOR THE WEEK AHEAD

WEEK OF SEPTEMBER 26, 2016

The countdown to the end of September and the third quarter for 2016 has begun. We have just 5 trading days left before we close the books for the quarter, and with some exception earlier in the month, September has seen all three major stock market indices in the red. If we looked at last week and the 1.2 percent move higher in the S&P 500, one would likely think all was right as rain with the stock market.



That upward move in the markets at the end of last week primarily reflected the Federal Reserve leaving monetary policy unchanged yet again for at least several more months. Despite some back and forth from several Federal Reserve presidents earlier in September, a growing number of signs and indicators in August and ahead of the Sept. 20-21 FOMC policy meeting meant the likely course to be taken by the Fed was to leave things as was.

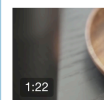
The stock market welcomed the Fed's decision to hold pat with open arms despite being widely telegraphed. Of course,

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- Swiss Watch Exports Fall for Fourteenth Straight Month** *Affordable Luxury / Connected Society*
- China Clamps Down On Airline Licensing**
Rise & Fall of the Middle Class
- Snapchat to offer camera-equipped sunglasses in first hardware push**
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- Gaming and gambling in Liberty's F1 growth plan** *Guilty Pleasures*

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ABOUT THE MONDAY MORNING KICKOFF

In order to get ready for the week ahead, the team at Tematica traces the key happenings of the past week and looks at the economic and earnings calendars slated to come out for the coming week in order to identify key catalysts that are bound to shape the market in the near-term, and in-turn impact our tematics.

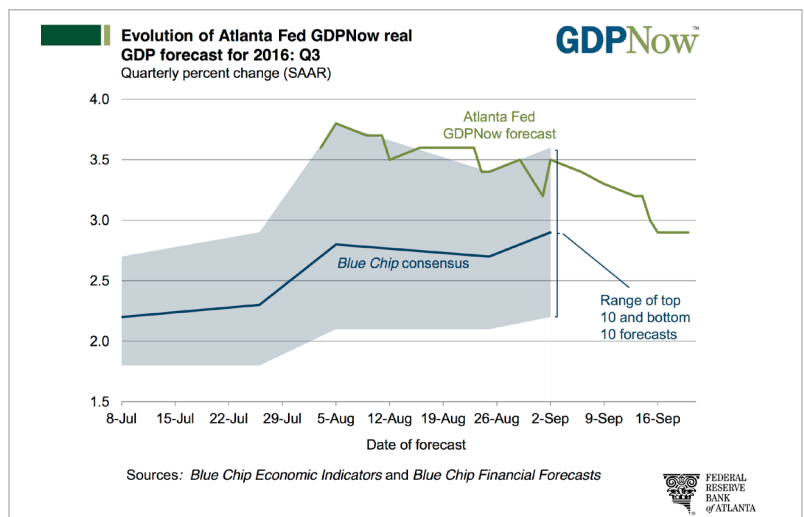
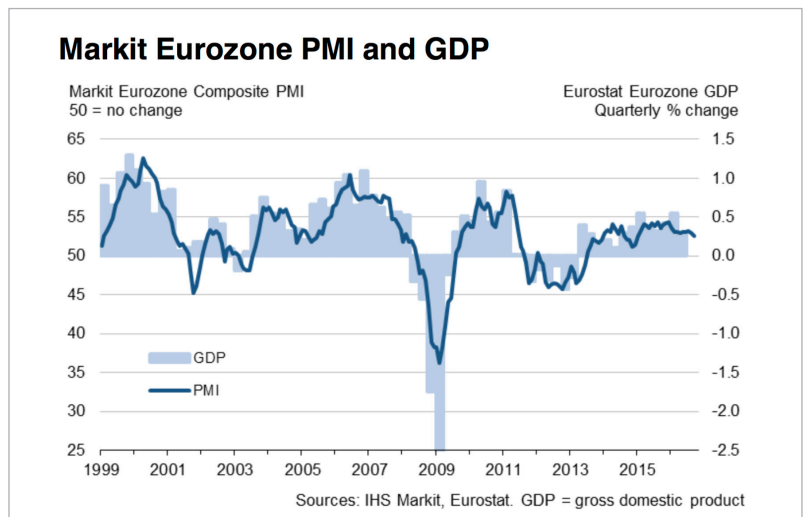
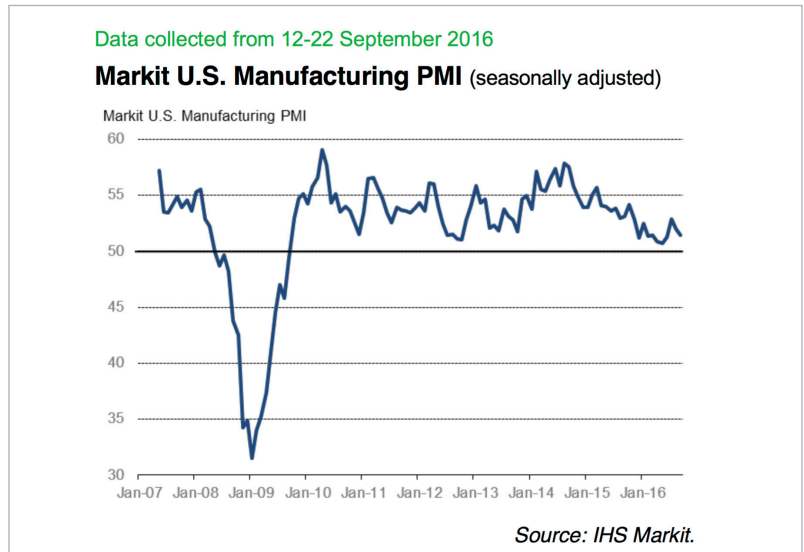
the markets seemed to have overlooked the fact the Fed once again trimmed back its 2016 GDP forecast to 1.8 percent from 2.0 percent in July and 2.2% in March — *“who cares about earnings, interest rates are staying the same!”*

Well, we care about earnings, and even after that 1.2 percent move, the S&P 500 remains in the hole by 0.3% as we get ready to close out September.

The slowing economic velocity mentioned earlier as part of the Fed’s hold-pat decision was affirmed not only in the housing data we received last week, but also in the rash of Flash September PMI data from Markit Economics, which once again painted the picture of a global economy moving in the wrong direction.

Outside of the official stats, one of the many indicators we look at is the movements of goods, which denotes manufacturing and industrial activity as well as consumer and business demands. America is a big place — the “stuff” has to get from point A to point B somehow, and railways are a great way to move it around.

According to the American Association of Railroads, total carloads for the week ending Sept. 17 fell 5.3 percent year over year, and U.S. weekly intermodal volume fell 4.9 percent for the same period. While one week does not make a trend, total carload traffic in August fell 6.6 percent year over year, and the first two weeks of September also saw year-over-year declines in carload traffic. That’s not exactly the picture of an expanding economy and those indicators mixed with others made is pretty evident the Fed was unlikely to do anything exiting last week’s FOMC meeting.



One of the areas we've been rather vocal about in recent weeks has been the disconnect between the slowing speed of the economy and earnings expectations — not so much for the current quarter, which are slated to be down yet again, but for the upcoming December quarter.

It seems that once again the herd is starting to catch up to our line of reasoning, because at the end of last week FactSet moved its 2016 earnings forecast for the S&P 500 group of companies to \$117.92 per share from the prior \$118.11 per share. While this may look like a minor revision that continues the year long trend of falling expectations for 2016, it's the first time that forecast has called for a year over year fall in earnings for 2016. As we like to say, perspective is everything, and it's worth noting the 18.4x forward earnings the S&P closed at last week means investors are paying more for falling earnings.

Yep, you read that right.

Looking Ahead to the Week Before Us

With just a handful of days left in the September and 3Q 2016, we'll be on the look-out for any and all negative earnings pre-announcement, and what they may mean for any of our holdings.

While we may be a tad early, we'd note that current earnings expectations call for S&P 500 earnings to rebound in 2017 and grow more than 13 percent year over year to \$133.60 per share. As we march through upcoming September quarter earnings, we expect that forecast will come under heavy scrutiny as investors start to turn their attention past the fourth quarter and toward what's likely to come in 2017.

In other words, given the weakening speed of the global economy, odds are earnings expectations for the S&P 500 in 2017 are likely to be a repeat of what we saw in 2017 — a steady move lower. Barring any significant changes in economic policy — we do have a presidential election this year and more on that below — this is apt to keep market returns capped, especially if one is inclined to follow a sector-based investing strategy.

ECONOMIC CALENDAR		SEPT 26 - 30, 2016
DATE	REPORT / SPEECH	DATA
26-Sep	New Home Sales	Aug
27-Sep	Case-Shiller 20-city Index	Jul
27-Sep	Consumer Confidence	Sep
28-Sep	MBA Mortgage Index	24-Sep
28-Sep	Durable Orders	Aug
28-Sep	Durable Orders, Ex-	Aug
28-Sep	Crude Inventories	24-Sep
29-Sep	GDP - Third Estimate	Q2
29-Sep	GDP Deflator - Third	Q2
29-Sep	Initial Claims	24-Sep
29-Sep	Continuing Claims	17-Sep
29-Sep	International Trade in Goods	Aug
29-Sep	Pending Home Sales	Aug
29-Sep	Natural Gas Inventories	24-Sep
30-Sep	Personal Income	Aug
30-Sep	Personal Spending	Aug
30-Sep	Core PCE Prices	Aug
30-Sep	Chicago PMI	Sep
30-Sep	Michigan Sentiment - Final	Sep

Atlanta Fed GDPNow forecasts for 2016: Q3, growth rates and changes

Date	Major Releases	GDP	PCE	Equip- ment	Intell. prop. prod.	Nonres. struct.	Resid. inves.	Govt.	Exports	Imports	Change in net exp.	Change in CPI
3-Aug	Initial nowcast	3.6	3.6	5.9	3.8	-5.0	0.3	1.7	3.4	5.8	-20	37
23-Aug	New home sales/prices/const. costs	3.6	3.5	7.6	4.1	-3.4	1.0	1.8	3.6	6.1	-21	31
24-Aug	Existing-home sales	3.4	3.5	7.6	4.1	-3.4	-2.6	1.8	3.6	6.1	-21	31
25-Aug	Advance durable manufacturing	3.4	3.5	6.6	4.1	-3.4	-2.6	1.8	0.0	6.1	-21	33
29-Aug	Pers. Inc./PCE, GDP/Adv. Econ. Ind.	3.5	3.8	5.4	5.4	-3.2	-2.6	1.8	3.6	6.3	-20	27
1-Sep	Construction spending, ISM Manuf.	3.2	3.4	3.6	5.4	7.8	-5.3	1.2	3.3	5.3	-18	27
2-Sep	Employ. Sit., Foreign trade, M3 Manuf.	3.5	3.5	3.3	5.5	8.0	-4.8	1.3	4.2	4.5	-8	24
6-Sep	ISM Nonmanuf., Light vehicle sales	3.4	3.4	2.0	5.5	7.9	-5.1	1.3	4.1	4.4	-8	26
9-Sep	Wholesale trade	3.3	3.4	2.0	5.5	7.9	-5.1	1.3	4.1	4.4	-8	24
13-Sep	Monthly Treasury Statement	3.2	3.4	2.0	5.5	7.9	-5.1	0.8	4.1	4.4	-8	24
14-Sep	Import/Export prices	3.2	3.4	2.0	5.5	7.9	-5.1	0.8	4.1	4.3	-7	23
15-Sep	Retail trade, Industrial production	3.0	3.1	1.5	5.5	8.0	-6.3	0.8	3.9	4.0	-7	25
16-Sep	Consumer Price Index	2.9	3.0	1.5	5.5	8.1	-6.3	0.8	3.8	4.0	-7	25
20-Sep	Housing starts	2.9	3.0	1.5	5.5	8.1	-6.3	0.8	3.8	4.0	-6	25
Maximum forecast of real GDP growth												
5-Aug	Employment situation, Foreign trade	3.8	3.7	7.1	4.1	-5.0	0.5	1.9	3.4	5.9	-21	39
Minimum forecast of real GDP growth												
20-Sep	Housing starts	2.9	3.0	1.5	5.5	8.1	-6.3	0.8	3.8	4.0	-6	25

We here at Tematica, see the world in a different light and that has allowed us to stay a few steps ahead of the Wall Street herd. That's a position we like, and therefore we will continue to follow our thematic investing strategy that identifies pronounced tailwinds with businesses positioned to drive meaningful revenue and earnings growth. As Larry Kudlow says, profits are the mother's milk for stocks. We could not agree more.

Turning our gaze to these last few days of September, one might think it's going to be a quiet one, but as you can see in the thematic earnings calendar below it's probably a little busier than most expect with 8 of our investing themes getting some love. As the investment community looks to get a grasp of consumer demand springing out of our **Rise & Fall of the Middle Class** investing theme, both here at home and abroad, **Nike (NKE)**'s quarterly results as well as those from **Costco Wholesale (COST)** will be a center of focus. So too, will recreation vehicle company **Thor Industries (THO)** and **Carnival Corp. (CCL)**.

Food deflation has been called out recently by **Sprouts Farmers Market (SFM)** and **Kroger (KR)** fingered eggs as a big winner in that department. While good for consumers, it maybe not be for the egg business at **Cal-Maine Foods (CARE)**. We'll also check in on the subject of food deflation with Costco, **ConAgra Foods (CAG)** and **McCormick & Co. (MKC)**, a great dividend dynamo company if there ever was one. Those three should also help us better understand the degree to which **Cash-strapped Consumers** are once again favoring eat at home at the expense of restaurants. Commentary from **Hain Celestial Foods (HAIN)** should serve to confirm the continued shift to natural, organic and other healthy foods that is a part of our **Food with Integrity** investing theme.

On the economic docket, we've got a few more pieces of August data including Durable Orders and Personal Income & Spending as well as the third estimate of 2Q 2016 GDP. Given the August Industrial Production reading as well as last week's Flash US September Manufacturing PMI from Market Economics that showed another step down in manufacturing order activity, odds are the pending Personal Income & Spending report will carry greater weight as investors get a bead on the mindset of the consumer ahead of year-end holiday shopping.

Before any of that comes our way, later tonight we have the first of three Presidential Debate for the 2016 election. We'll see how much policy and leadership is discussed vs. caustic barbs thrown during the 90 minute challenge, with the market likely to signal its view come Tuesday. Regardless of your political leanings, there is little question the two candidates have their own views on taxes, spending and other policies and that means we'll be breaking them down to gauge the impact come Election Day 2016.

Earnings On Tap This Week

ASSET-LITE BUSINESS MODELS

- Synnex Corp. (SNX)
- IHS Markit Ltd. (INFO)
- FactSet Research (FDS)
- Paychex (PAYX)
- Accenture plc (ACN)

CASH-STRAPPED CONSUMER

- Costco Wholesale (COST)
- McCormick & Co. (MKCO)

CONNECTED SOCIETY

- Blackberry (BBRY)
- CalAmp Corp. (CAMP)

ECONOMIC ACCELERATION/DECELERATION

- Worthington Industries (WOR)
- IDT Corp. (IDT)
- Actuant Corp. (ATU)
- Fattening of the Population
- Cal-maine Foods (CALM)
- ConAgra Foods (CAG)
- PepsiCo (PEP)

FOOD WITH INTEGRITY

- Hain Celestial (HAIN)

FOUNTAIN OF YOUTH

- Landec Corp. (LNDC)

RISE & FALL OF THE MIDDLE CLASS

- Carnival Corp. (CCL)
- Nike (NKE)
- Thor Industries (THO)
- Pier 1 Imports (PIR)

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