

Previewing the Fed

September 2016



KAVAR
CAPITAL PARTNERS

Market's Expectations

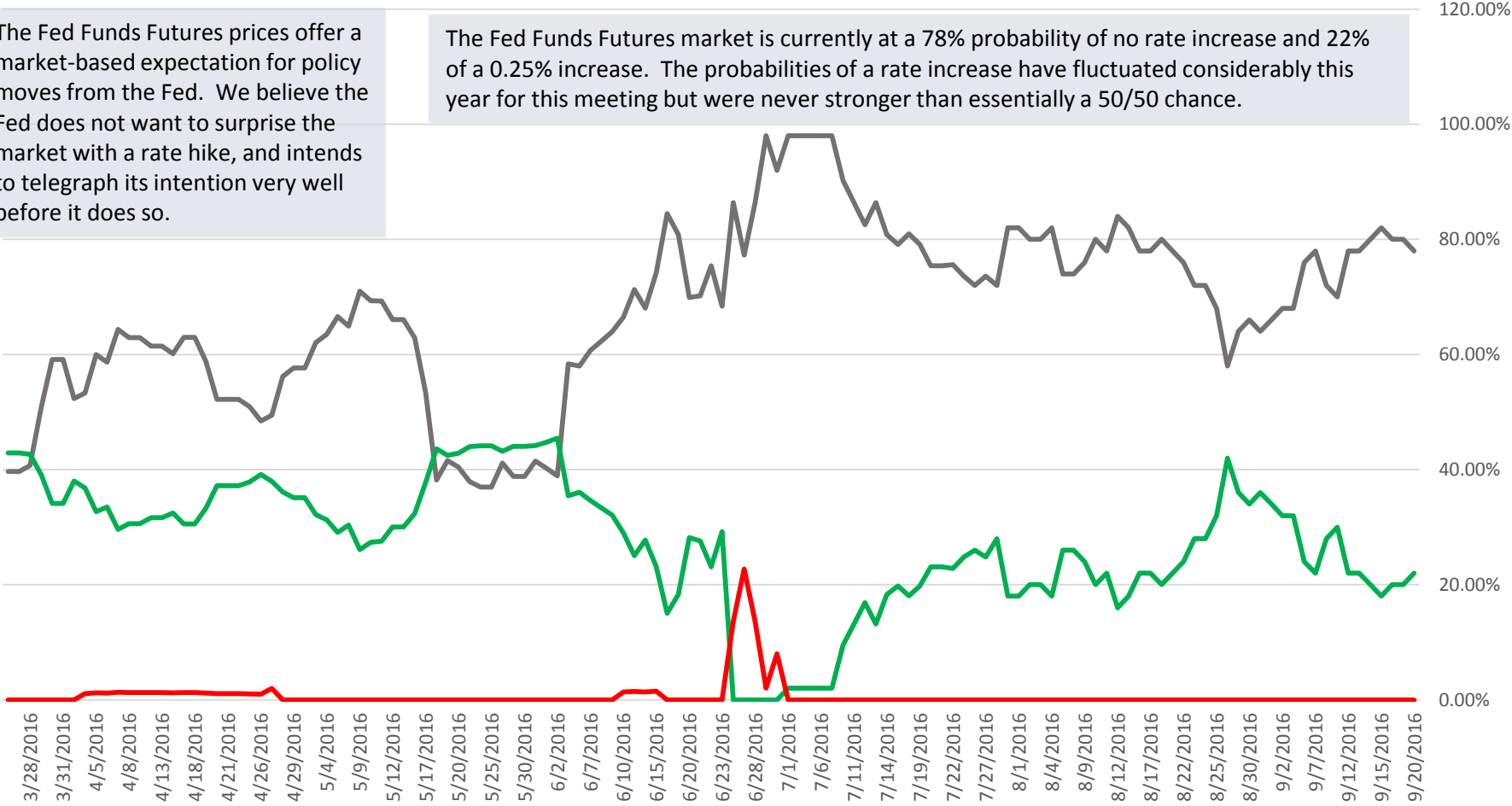


Bloomberg World Interest Rate Probabilities: Fed Funds 9/21/16 FOMC Action

— No Action — 25 bps Increase — 25 bps Cut

The Fed Funds Futures prices offer a market-based expectation for policy moves from the Fed. We believe the Fed does not want to surprise the market with a rate hike, and intends to telegraph its intention very well before it does so.

The Fed Funds Futures market is currently at a 78% probability of no rate increase and 22% of a 0.25% increase. The probabilities of a rate increase have fluctuated considerably this year for this meeting but were never stronger than essentially a 50/50 chance.



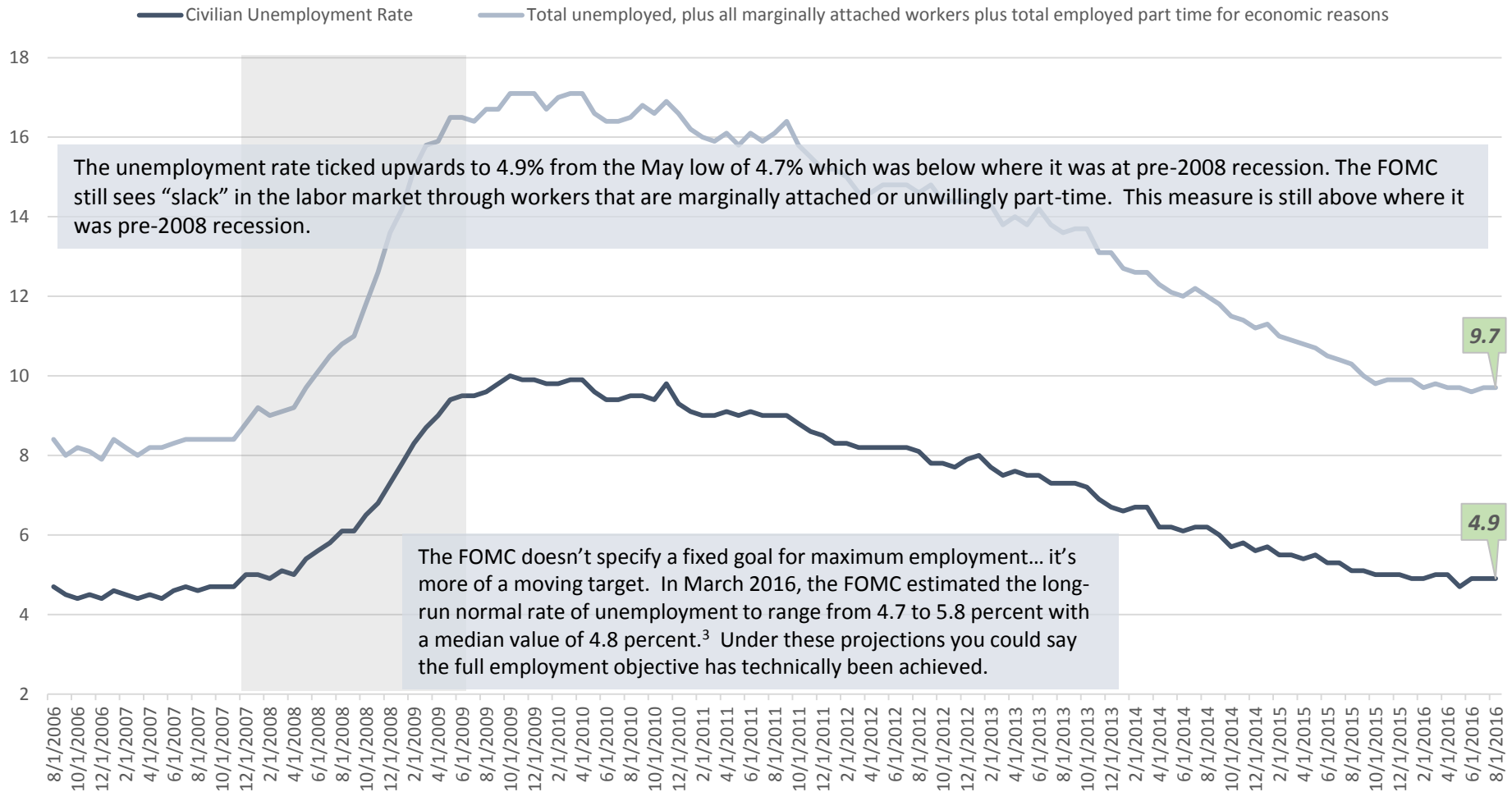
Source: Bloomberg as of 9/20/16

Investors cannot invest directly into an index and advisors cannot mirror an index. Any performance quoted is past performance and is not a guarantee of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Individual results will differ based upon asset allocation, timing and fees.

See Disclosure and Footnotes, Page 13

Jobs: Unemployment Rate

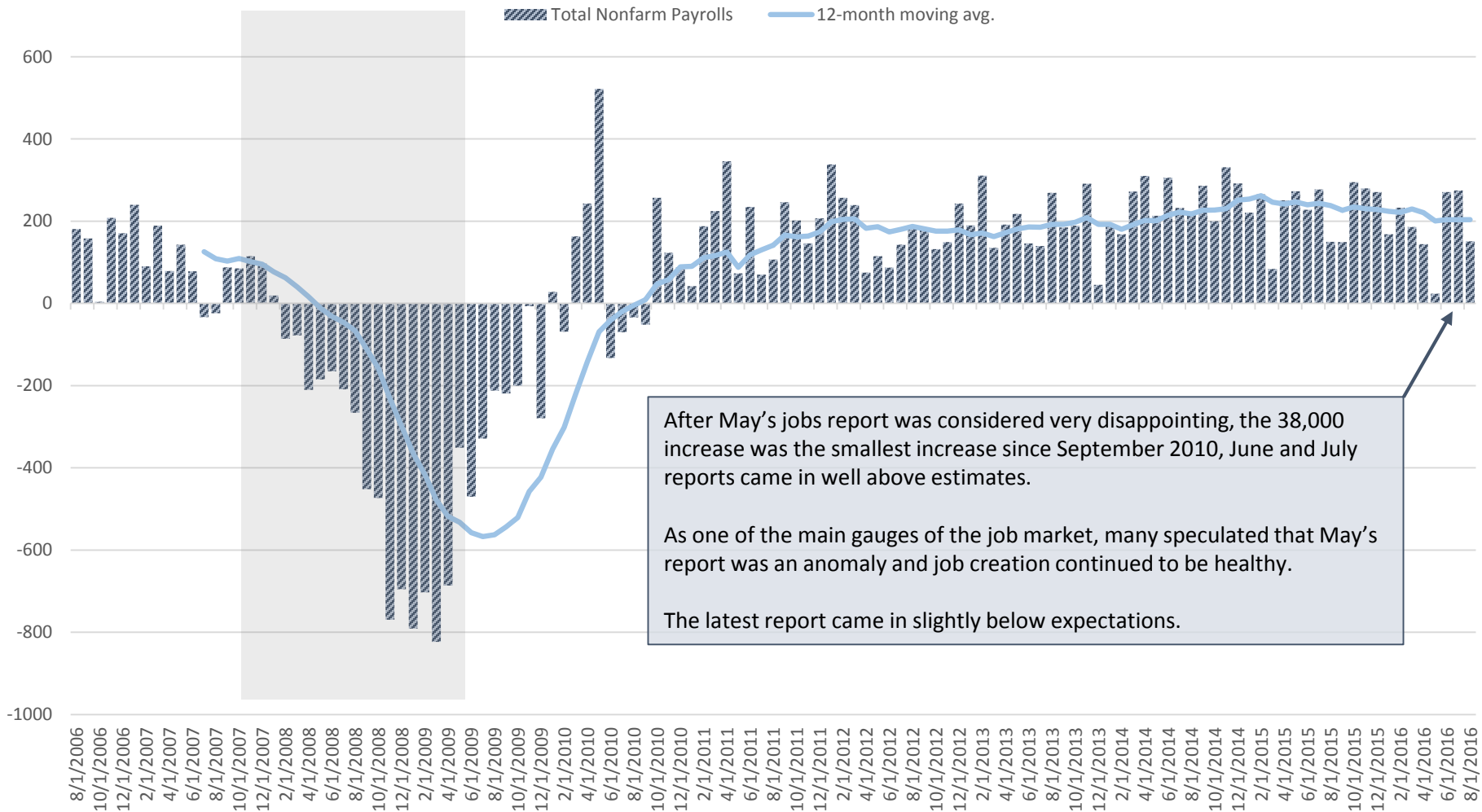
Unemployment Rates
Percent, Seasonally Adjusted



Source: Fred - Federal Reserve Bank of St. Louis Economic Data ^{1,2} (Graph Data), Federal Reserve³
 Investors cannot invest directly into an index and advisors cannot mirror an index. Any performance quoted is past performance and is not a guarantee of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Individual results will differ based upon asset allocation, timing and fees.

Jobs: Change in Non-Farm Payrolls

Total Nonfarm Payrolls
Change, Thousands of Persons, Seasonally Adjusted



After May's jobs report was considered very disappointing, the 38,000 increase was the smallest increase since September 2010, June and July reports came in well above estimates.

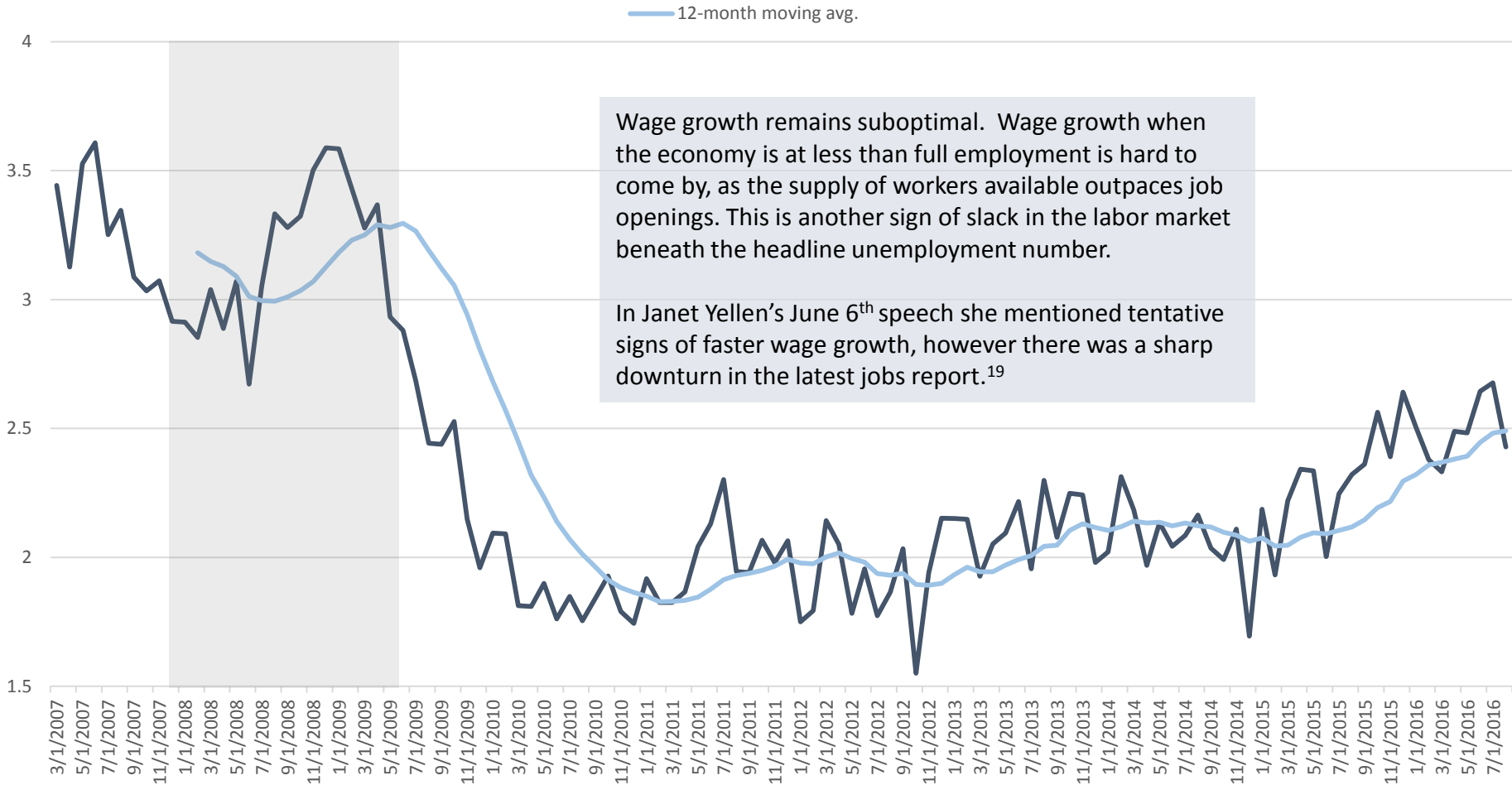
As one of the main gauges of the job market, many speculated that May's report was an anomaly and job creation continued to be healthy.

The latest report came in slightly below expectations.

Source: Fred - Federal Reserve Bank of St. Louis Economic Data⁵, Federal Reserve⁶
 Investors cannot invest directly into an index and advisors cannot mirror an index. Any performance quoted is past performance and is not a guarantee of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Individual results will differ based upon asset allocation, timing and fees.

Jobs: Wage Growth

Average Hourly Earnings of All Employees: Total Private
 Percent Change from Year Ago, Seasonally Adjusted



Source: Fred - Federal Reserve Bank of St. Louis Economic Data⁷

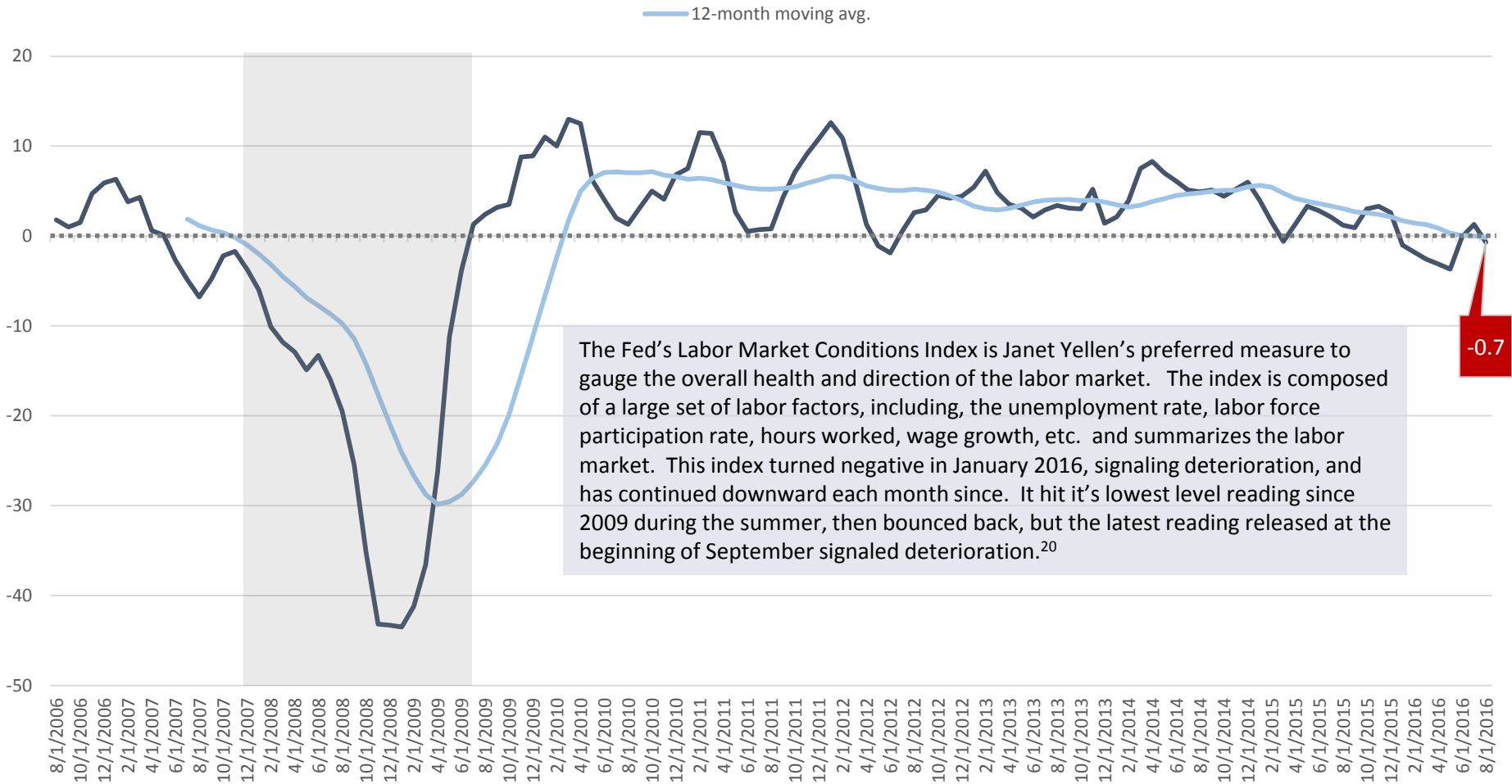
Investors cannot invest directly into an index and advisors cannot mirror an index. Any performance quoted is past performance and is not a guarantee of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Individual results will differ based upon asset allocation, timing and fees.

See Disclosure and Footnotes, Page 13

Jobs: Labor Market Conditions Index



Change in Labor Market Conditions Index
Index Points, Seasonally Adjusted



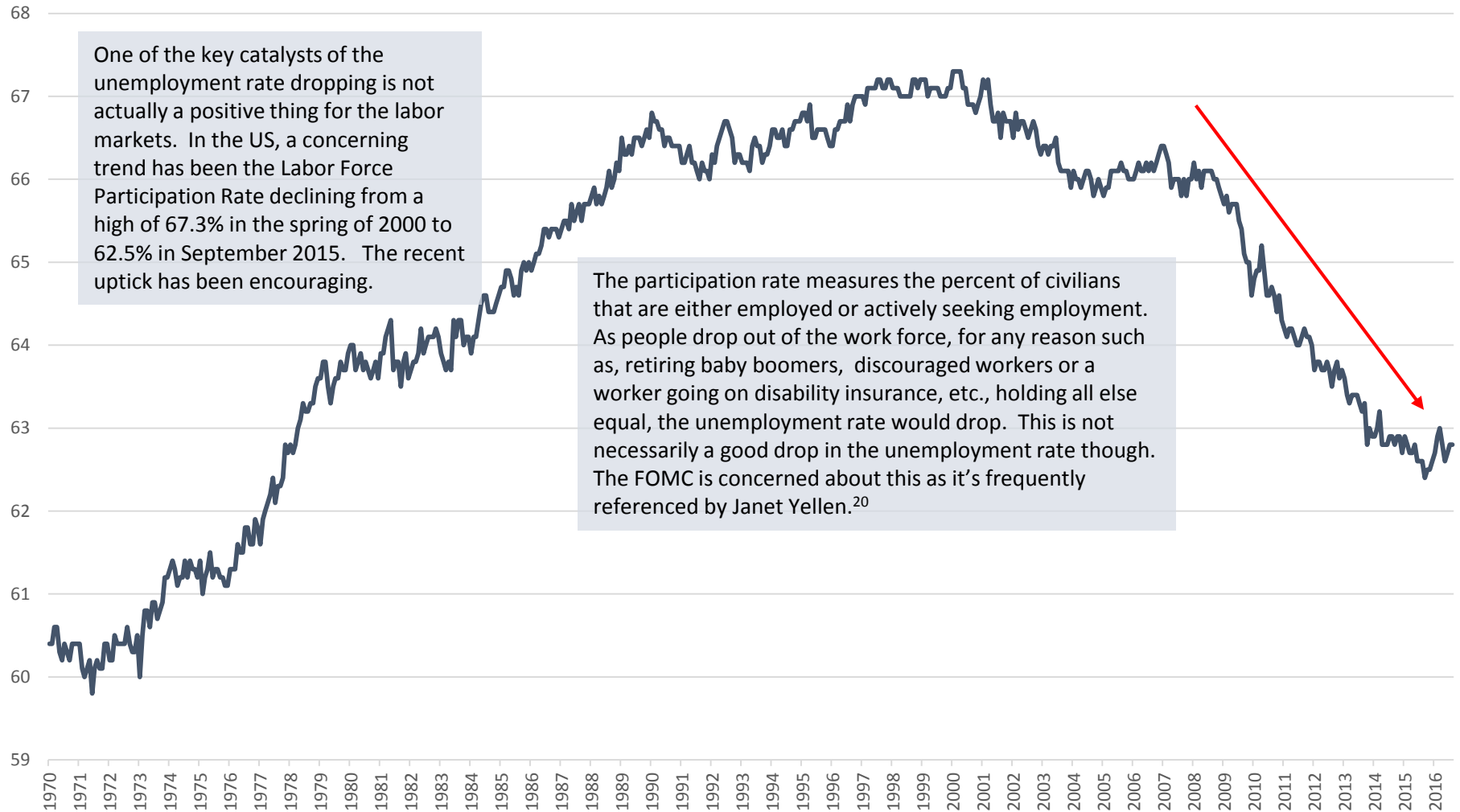
Source: Fred - Federal Reserve Bank of St. Louis Economic Data⁸

Investors cannot invest directly into an index and advisors cannot mirror an index. Any performance quoted is past performance and is not a guarantee of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Individual results will differ based upon asset allocation, timing and fees.

See Disclosure and Footnotes, Page 13

Jobs: Labor Force Participation Rate

Civilian Labor Force Participation Rate
Percent, Seasonally Adjusted

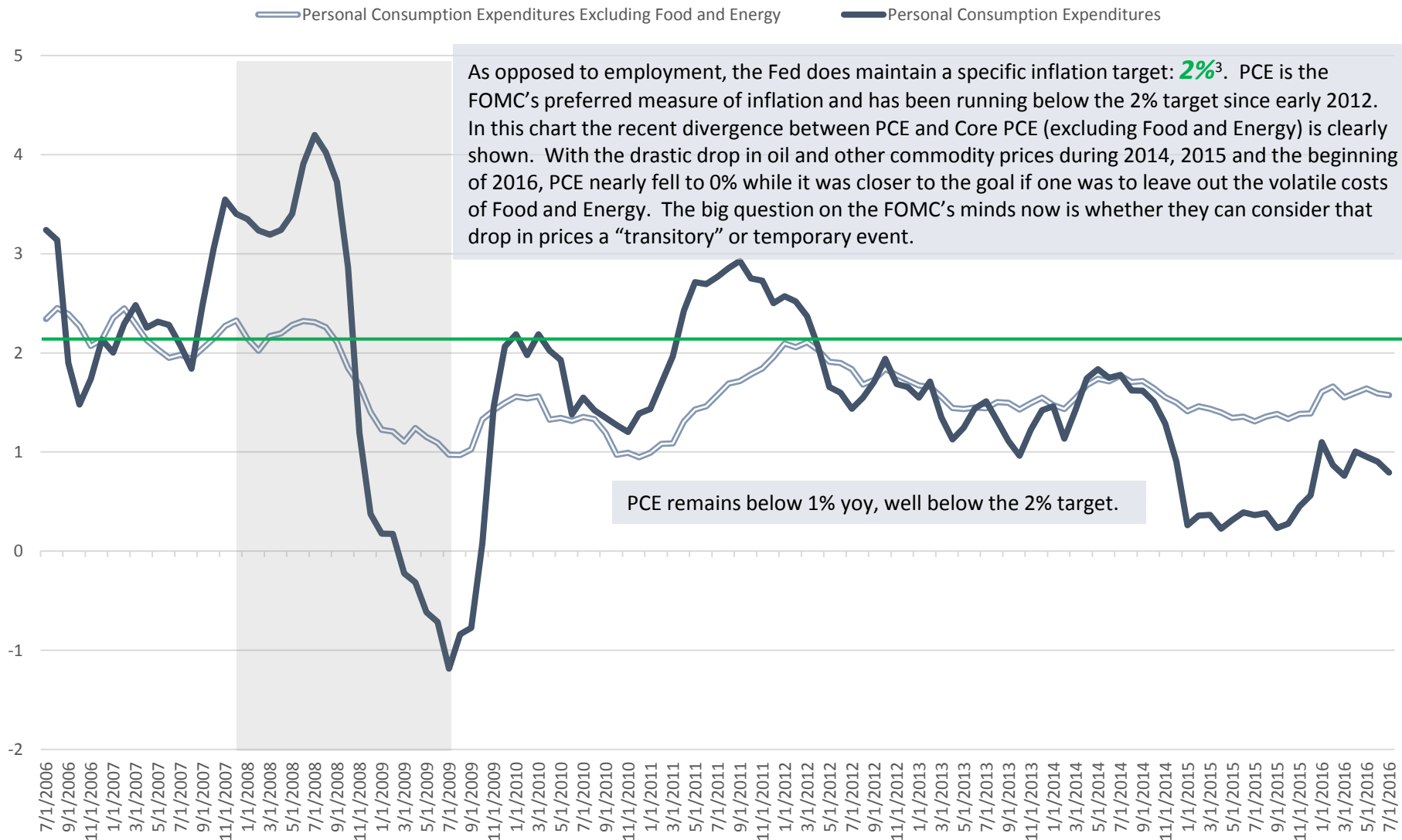


Source: Fred - Federal Reserve Bank of St. Louis Economic Data⁴ (Graph Data)

Investors cannot invest directly into an index and advisors cannot mirror an index. Any performance quoted is past performance and is not a guarantee of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Individual results will differ based upon asset allocation, timing and fees.

See Disclosure and Footnotes, Page 13

Inflation: PCE

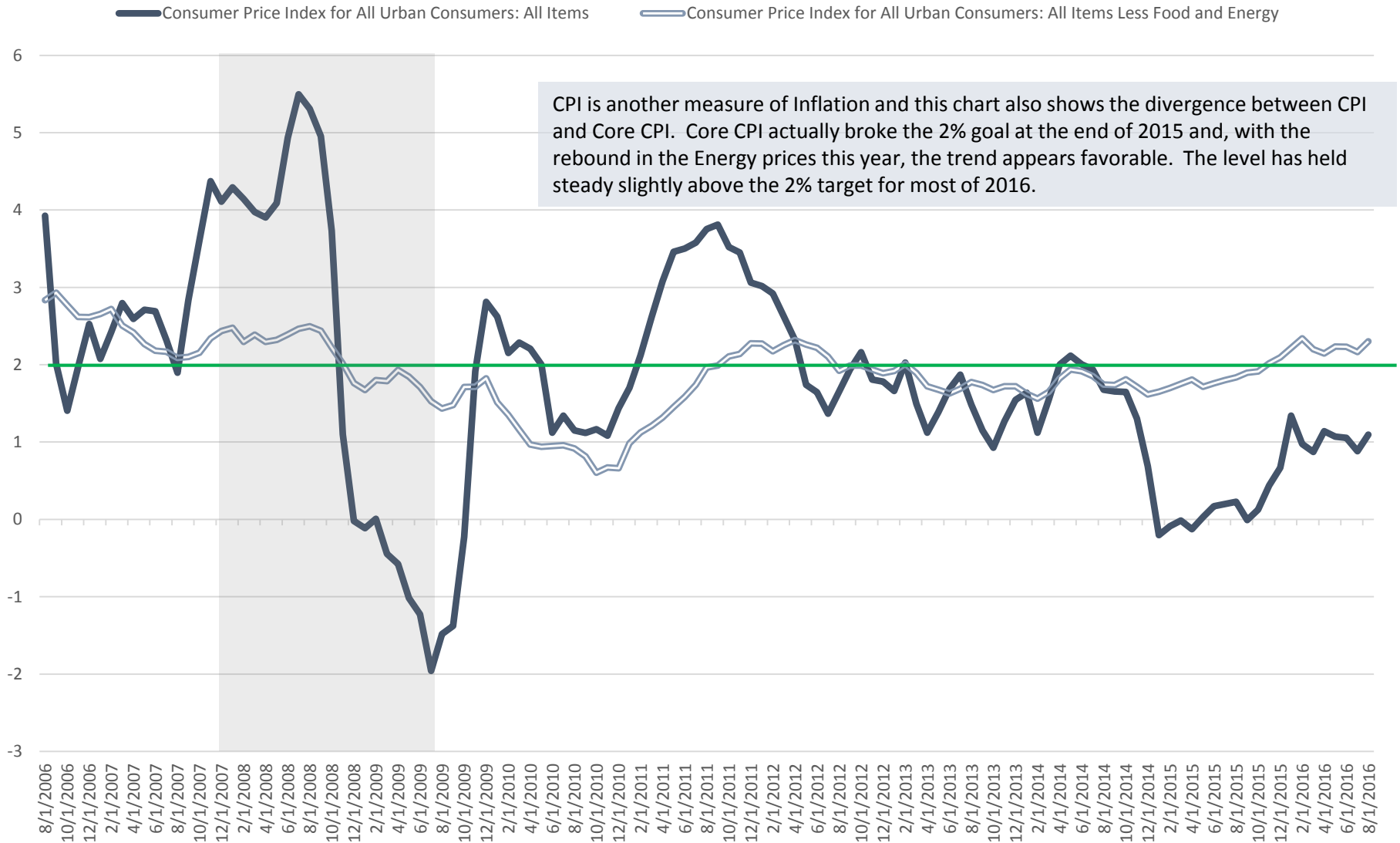


Source: Fred - Federal Reserve Bank of St. Louis Economic Data ^{9,10}

Investors cannot invest directly into an index and advisors cannot mirror an index. Any performance quoted is past performance and is not a guarantee of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Individual results will differ based upon asset allocation, timing and fees.

See Disclosure and Footnotes, Page 13

Inflation: CPI

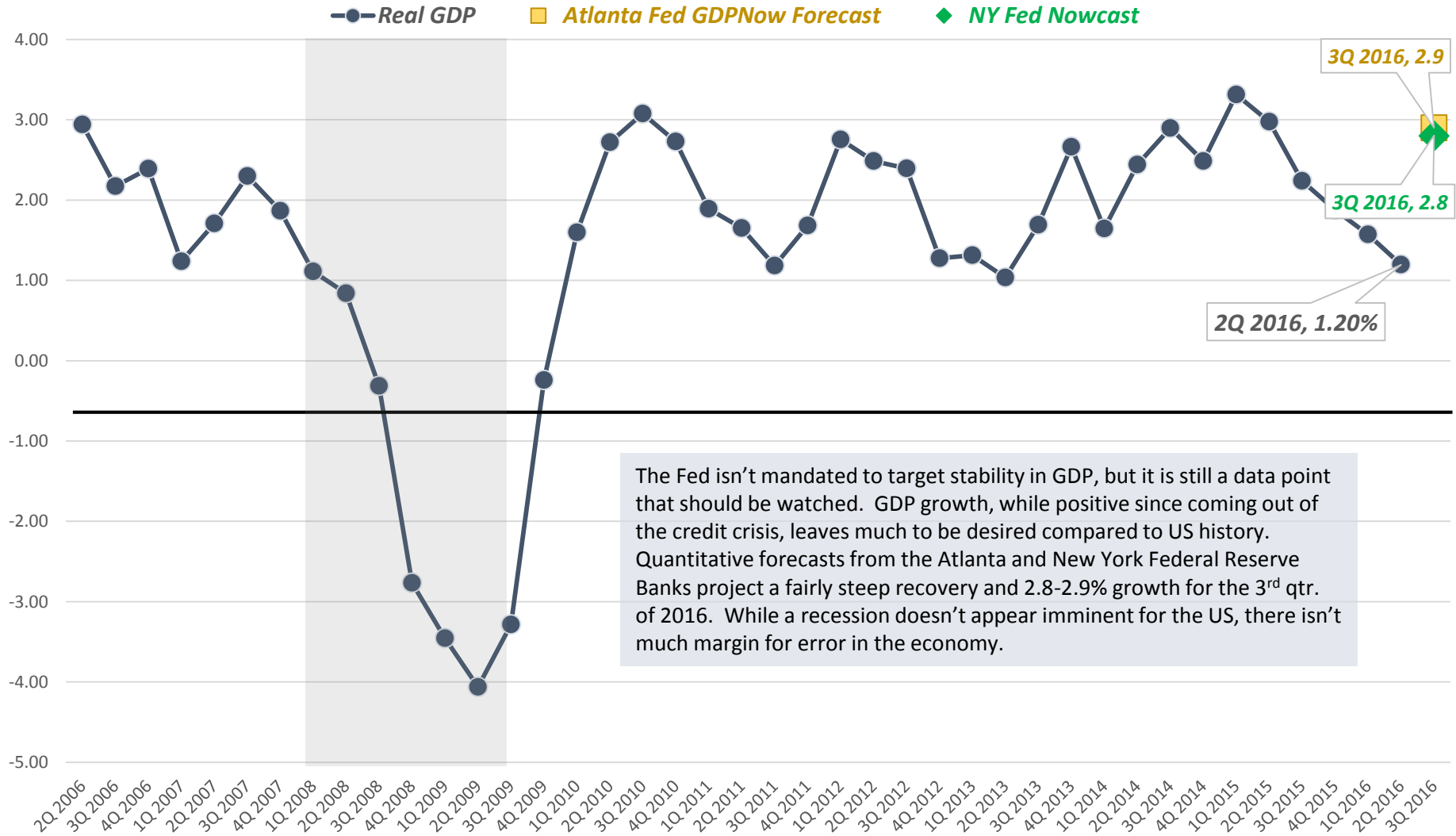


Source: Fred - Federal Reserve Bank of St. Louis Economic Data¹

Investors cannot invest directly into an index and advisors cannot mirror an index. Any performance quoted is past performance and is not a guarantee of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Individual results will differ based upon asset allocation, timing and fees.

See Disclosure and Footnotes, Page 13

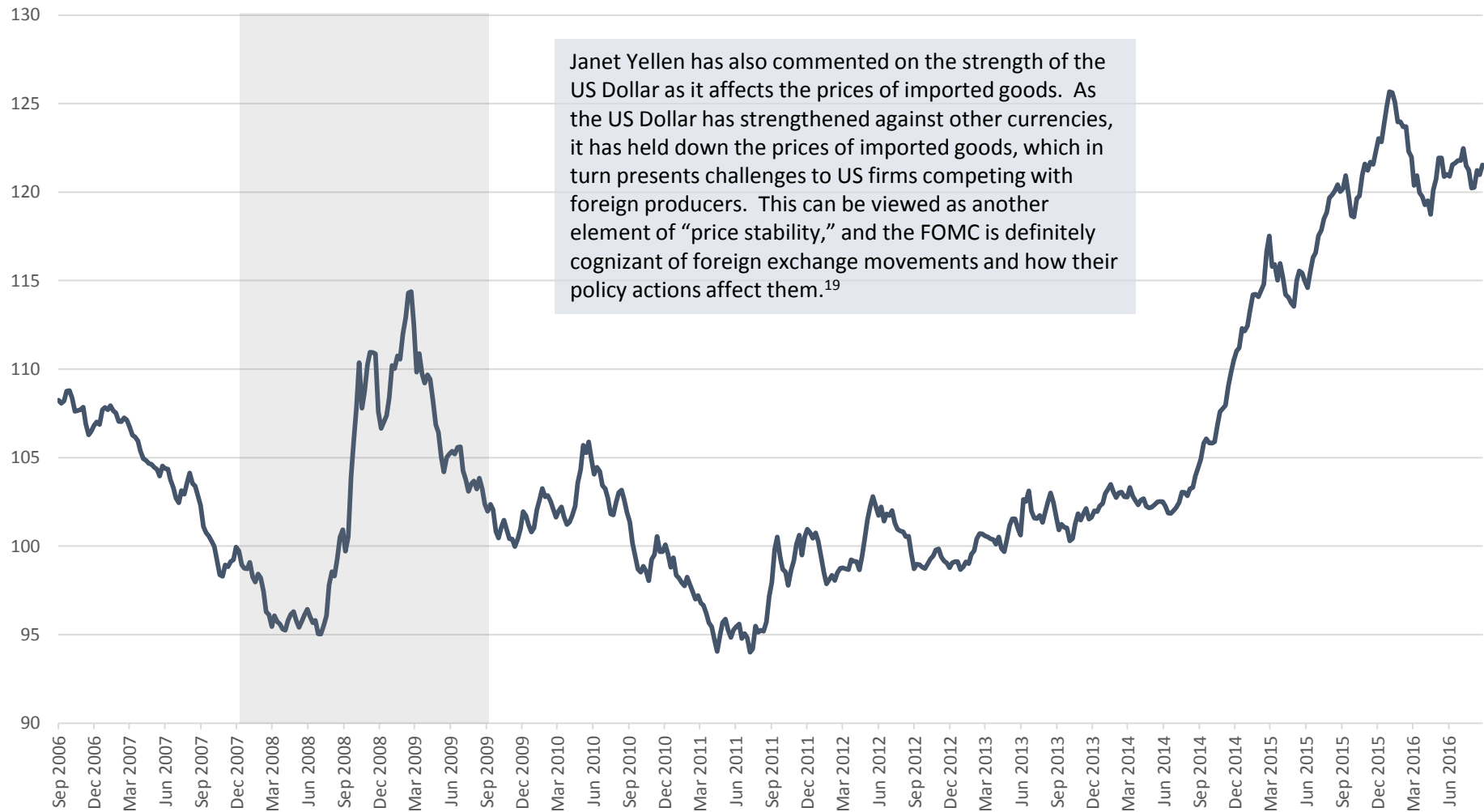
GDP



Source: Fred - Federal Reserve Bank of St. Louis Economic Data¹³ (Historical GDP Graph Data), Atlanta Fed¹⁴, New York Fed¹⁵
 Investors cannot invest directly into an index and advisors cannot mirror an index. Any performance quoted is past performance and is not a guarantee of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Individual results will differ based upon asset allocation, timing and fees.

US Dollar: Prices of Imported Goods

Trade Weighted U.S. Dollar Index: Broad
Index Jan 1997=100, Not Seasonally Adjusted



Janet Yellen has also commented on the strength of the US Dollar as it affects the prices of imported goods. As the US Dollar has strengthened against other currencies, it has held down the prices of imported goods, which in turn presents challenges to US firms competing with foreign producers. This can be viewed as another element of “price stability,” and the FOMC is definitely cognizant of foreign exchange movements and how their policy actions affect them.¹⁹

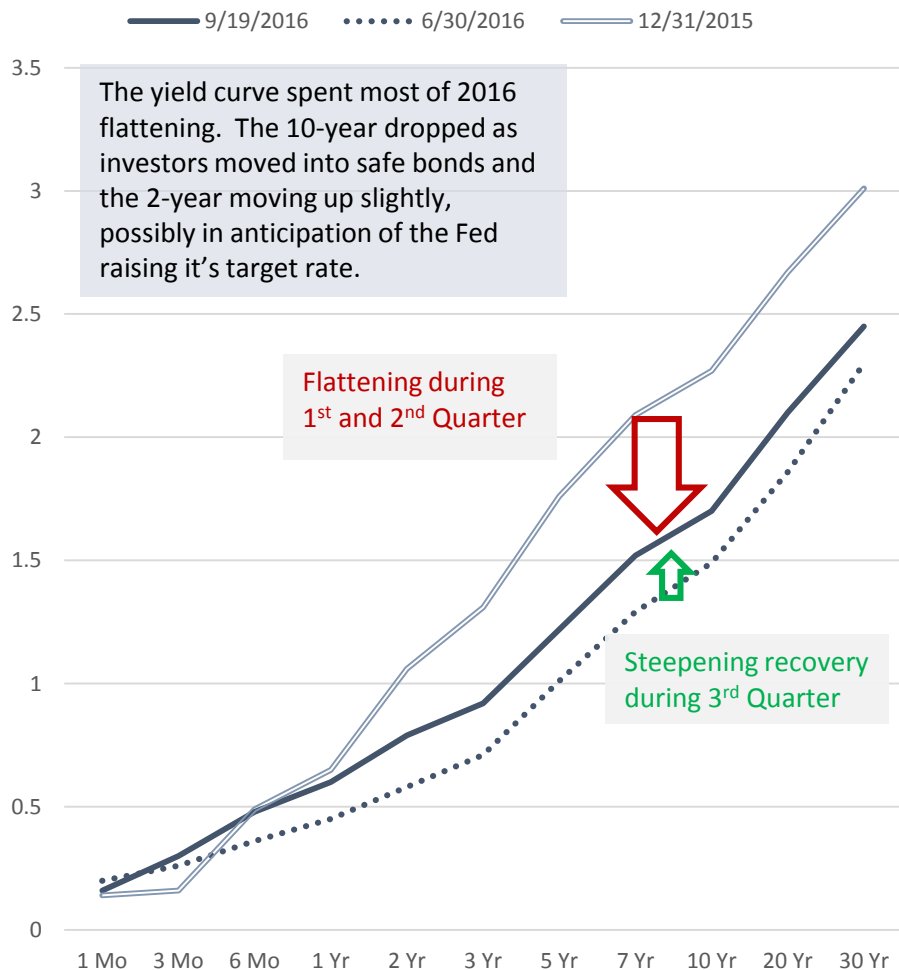
Source: Fred - Federal Reserve Bank of St. Louis Economic Data¹⁶ (Graph Data), Federal Reserve⁶

Investors cannot invest directly into an index and advisors cannot mirror an index. Any performance quoted is past performance and is not a guarantee of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Individual results will differ based upon asset allocation, timing and fees.

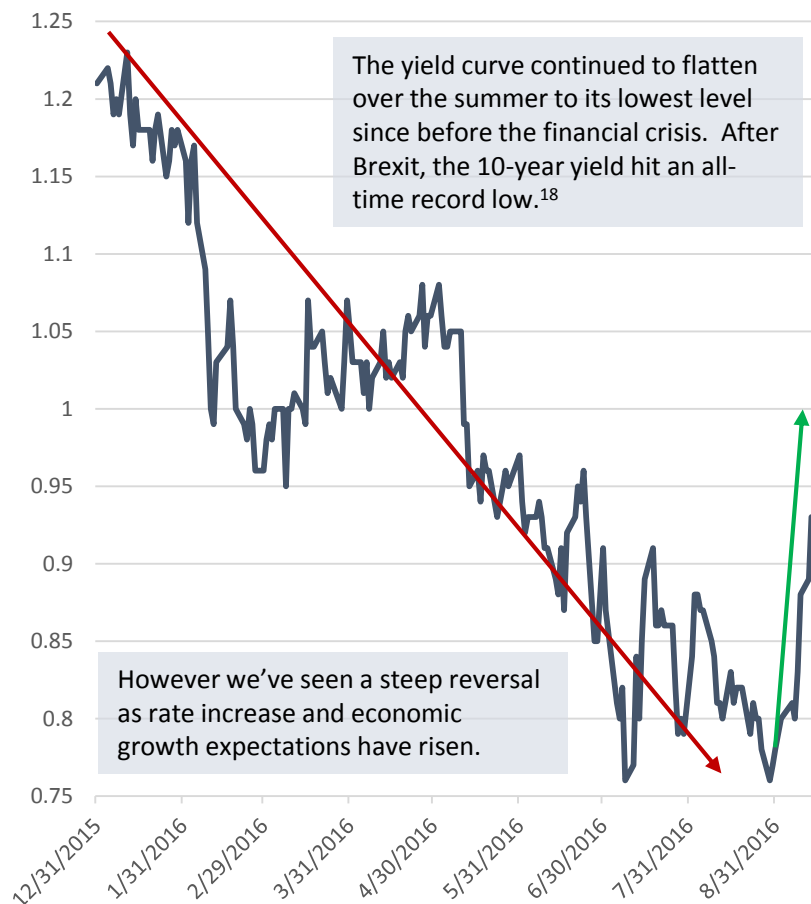
See Disclosure and
Footnotes, Page 13

Yield Curve

US Treasury Yield Curve



10-Year Treasury Minus 2-Year Treasury



Source: Fred - Federal Reserve Bank of St. Louis Economic Data¹⁷ (Right hand Graph Data), US Treasury¹⁸ (Left hand Graph Data)
 Investors cannot invest directly into an index and advisors cannot mirror an index. Any performance quoted is past performance and is not a guarantee of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Individual results will differ based upon asset allocation, timing and fees.

Important Disclosures



This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The views and strategies described may not be suitable for all investors. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, accounting, legal or tax advice. Any forecasts contained herein are for illustrative purposes only and are not to be relied upon as advice or interpreted as a recommendation. Any performance quoted is past performance and is not a guarantee of future results. Diversification does not guarantee investment returns and does not eliminate the risk of loss. Opinions offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. Some of the statements in this presentation may be forward looking and contain uncertainties. Changes in economic or market conditions as well as other factors may affect the relevance of the views and opinions expressed. Investors cannot invest directly into an index and advisors cannot mirror an index.

Footnotes

1. <https://research.stlouisfed.org/fred2/series/UNRATE>
2. <https://research.stlouisfed.org/fred2/series/U6RATE>
3. https://www.federalreserve.gov/faqs/money_12848.htm
4. <https://research.stlouisfed.org/fred2/series/CIVPART>
5. <https://research.stlouisfed.org/fred2/series/PAYEMS>
6. <https://www.federalreserve.gov/newsevents/speech/yellen20160606a.htm>
7. <https://research.stlouisfed.org/fred2/series/AHETPI>
8. <https://research.stlouisfed.org/fred2/series/FRBLMCI>
9. <https://research.stlouisfed.org/fred2/series/PCECTPI>
10. <https://research.stlouisfed.org/fred2/series/PCEPILFE>
11. <https://research.stlouisfed.org/fred2/series/T10YIE>
12. <https://research.stlouisfed.org/fred2/series/T5YIE>
13. <https://research.stlouisfed.org/fred2/series/GDPC1>
14. <https://www.frbatlanta.org/cqer/research/gdpnow.aspx?panel=1>
15. <https://www.newyorkfed.org/research/policy/nowcast.html>
16. <https://research.stlouisfed.org/fred2/series/TWEXB>
17. <https://research.stlouisfed.org/fred2/series/T10Y2Y>
18. <https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>
19. <https://www.federalreserve.gov/newsevents/speech/2016speech.htm>
20. <http://www.federalreserve.gov/newsevents/speech/yellen20140822a.htm>



KAVAR

CAPITAL PARTNERS

*11460 TOMAHAWK CREEK PKWY
SUITE 420, LEAWOOD, KS 66211*

KAVARCAPITAL.COM