On June 15, 1215-Following a revolt by the nobility, King John puts his royal seal on the Magna Carta, or "Great Charter." The document, essentially a peace treaty with his barons, guaranteed that the king would respect feudal privileges, uphold the freedom of the church, and maintain the nation's laws. More of a concession than a progressive document in its day, the Magna Carta was seen as a cornerstone in the development of democratic England by later generations.

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Greece Still Dominating Headlines

The market has been chopping back and forth the past few weeks on alternating 'deal' and 'no deal' Greek headlines. Most expected this can to be kicked a long time ago but perhaps it has finally been kicked as far as it can go. Should Greece leave the euro it could create spillover fears that other weak countries are next (Spain, Portugal). More likely Greece ultimately folds to troika demands or runs a dual currency system but remain in the EU-which could create a short-term selling squall but not contagion risk.

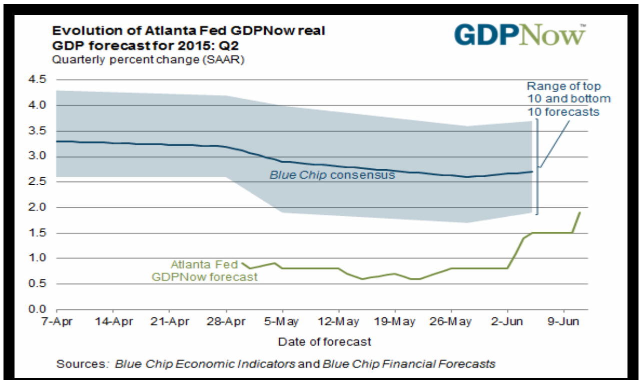
Economy, Earnings, & Interest Rates

The last two weeks have seen some improvement in the economic data flow, enough so that the Atlanta GDPNow Model puts 2Q GDP at 1.9%, up 1% from two weeks ago. See the GDPNow chart-box at the top of the next column. These growth is good news for the economy, but there is an event this week that could unsettle things. <u>The Fed Meeting announcement on Wednesday could create volatility as the market tries to get ahead of a rate hike possibility</u>. In our opinion the odds of the rate increase starting now are very low. However, any meaningful change in language could have serious ripple effects as investors look to the September window for a likely rate hike. Any statements that make it seem like rate increases are coming soon will initially be met with more selling. Comments that look like they are in no hurry should get investors more bullish for the summer.

We believe the Fed is more likely to exercise patience at this time with their comments and movements on interest rates. Having come so far down the easy monetary policy road, we believe they have great fear that a move too early could send the economy right back into recession—leaving them with few options to combat this down-turn. If the Fed threads the needle well, talking up the economy but not stoking rate fears—we still could see a summer rally after a few weeks of investors getting defensive.

Market and Investment Outlook

Looking ahead the safest assumption is that the market's sideways action will continue, at least until we get a development to the two issues that have been driving the market lately. One would be a resolution of the Greek situation and the other would be a fix on 'if and when' the Fed is likely to hike rates. If Greece remains in the EU and the Fed holds off on rates until 2016 we are likely to see new highs in 2015. A 'Grexit' coupled with a rate hike (although not likely) would be negative for the markets.



The last two weeks have seen a pick-up in the GDPNow projection for 2Q GDP growth, from under 1.0% to 1.90%. The bad news is that this increases the chance of a rate hike in 2015, which has unsettled the markets.

The rising bond yields have resulted in investors liquidating all manner of bond funds, and also weakness in the utilities, REITs, and other interest rate sensitive sectors. This in turn has caused new lows to increase and the Advance-Decline Line (a measure of market health) to weakened. Bond yields have reached a point where we could see buyers step into bonds, helping improve market conditions. Investors seem intent on 'pricing in' a future normalization of interest rate policy, and the weakness in the bond market reflects this. In the process of discounting the move, it has made the stock market subject to some nasty cross-currents with some sectors avoiding the internal weakness while others (like utilities and REITs succumb).

The trading range market the forces of buying and selling are relatively even, this the sideways action

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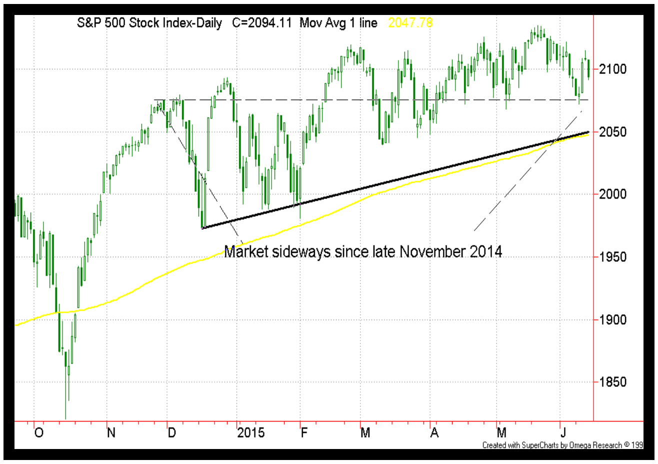
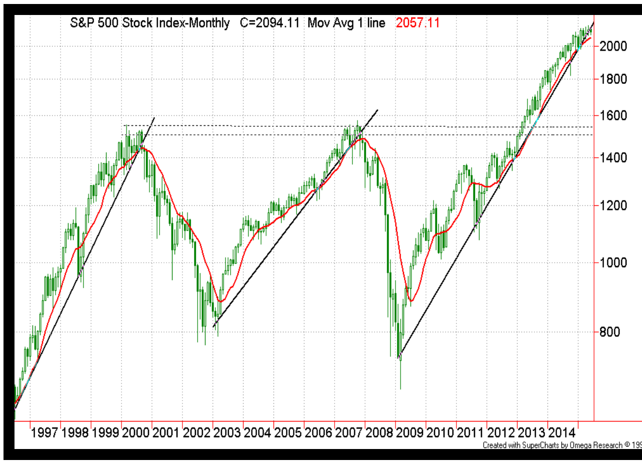
that can be seen in the near-term S&P chart below. Eventually forces build-up an imbalance one way or another and a new trend begins. Unless or until we see enough negative evidence build to bring the long-term trend into doubt, we suspect the current sideways action will unfold into at least one more run to new highs in 2015.

We remain invested in equities, expecting to see one more run this summer. The move up in bond yields as the market priced in a potential hike looks nearly done, suggesting negative pressure from rates could be removed for the next several weeks. Greece could be a short-term source of volatility, but we'd expect the ECB and Fed to step into any liquidity potholes

Charts—Short-Term Chop; Long-Term Top?





S&P 500 Near-Term (Above)
The major averages have made little net gain in 2015, as the dashed line at 2080 shows where the S&P was in November of 2014 compared to where it is now. The market has been essentially flat within a band of about 3-4% above and below that level. 2015 looks like an 'NBA Year', which (like an NBA Basketball game), most of the action occurs right at the end. Given seasonality and historical trends 2015 should see gains, but we may have to wait until Q4 to see them unfold. **As long as the S&P 500 holds above 2050 the near-term trend favors the bulls.**

S&P 500 Long-Term (Above Right)
The bull market from the 2009 lows remains intact, but we have seen the S&P Monthly chart potentially make a move below the long-term trend line (the solid line back to 2009). The current month plot is the first below the line since the bull began six years ago. On its own this doesn't mean much, but should the S&P close below 2050-2060 it would couple the trend line break with a break below the long-term average (in red). Such a move would be the first step in a change in the market from bull to bear. **A close below 2050-2060 on the S&P 500 would be bearish.**