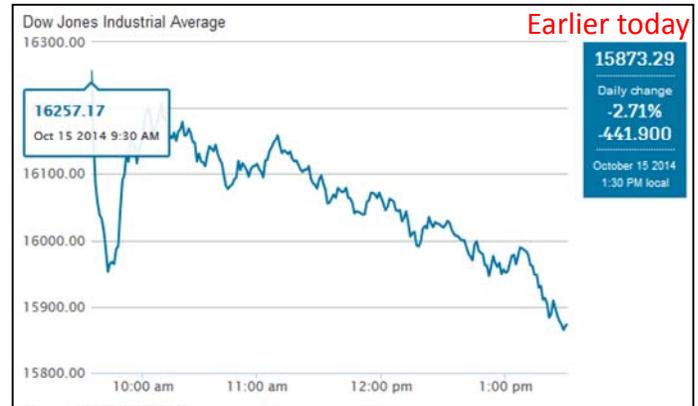




Cobblestone Investment Update

October 15, 2014

Multiple Scares are Spooking Investors
The pullback that began a month ago accelerated today as investors reacted to economic data released this morning. Data for U.S. September retail sales, producer pricing, and the Empire State Manufacturing Survey all were softer than expected, fanning concerns that weakness overseas might be undercutting the U.S. expansion. With anxiety already elevated by Ebola and conflict in the Mideast, the news today accelerated the flight to safety and may be ushering us toward the first 10% decline since 2011. As seen in the chart to the right, the Dow Jones Industrial Average was off by more than 400 midday before working its way back to a loss of “only” 173 points.



October Gloom and Beyond While the sell off in stocks is nerve wracking and understandably fosters apprehension, the economic backdrop lends crucial, encouraging perspective.

- 1) Historically low interest rates here and abroad remain highly stimulative.
- 2) U.S. bank lending to both consumers and businesses continues to accelerate, indicating a healthy and rising level of confidence in the private sector.
- 3) Leading indicators such as the Conference Board's monthly Leading Economic Index and the Institute of Supply Management's ISM Index point to further expansion.
- 4) Inflation remains benign, with low energy prices and muted labor costs clearing the way for growth out beyond 2015.

As seen in the adjacent chart, the current sell-off in stocks is driving volatility measures sharply higher, toward levels more often associated with buying opportunities. While we may well see further downside in the days and weeks ahead, we anticipate taking advantage of this opportunity by positioning for stronger and broader growth in 2015. In the meantime, please feel free to reach out with questions or concerns. Far more often than not, significant market declines are opportunities masked by fear.

