WELCH & FORBES LLC
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ECONOMIC OUTLOOK

- The United Kingdom voted to exit the European Union and stock markets worldwide tumbled. The Brexit brings political and economic uncertainty; current Prime Minister David Cameron will resign and a host of new regulatory frameworks and trade agreements will need to be developed to conduct business and trade in a post E.U. world. Markets subsequently stabilized as fears receded that Brexit would disrupt the world economy. The U.K. is the world's fifth-largest economy and a global financial center. The U.K. ranks seventh as a U.S. trade partner; American exports to Britain last year totaled $56 billion, or 0.3% of U.S. GDP. The European Central Bank president, Mario Draghi, told E.U. leaders that Britain's decision to leave the E.U. could reduce eurozone growth by a cumulative 0.3% to 0.5%.

- Gross Domestic Product in the U.S. grew at a seasonally adjusted annual rate of 1.1% in the first quarter, faster than the previously estimated 0.8% pace. U.S. exports and company spending on software and research and development were better than initially estimated. Total business investment has declined as the energy sector continues to suffer from depressed oil markets, but there are indications the economy has regained momentum in the second quarter. Retail sales continue to grow and sales of existing homes rose to their highest level in nine years, reaching a new peak in May. Spending on home construction and remodeling has grown this year at the fastest pace in more than three years. Economists expect the expansion, now in its eighth year, to continue at a modest pace. We are expecting economic growth of around 2% this year.

- The U.S. dollar surged and interest rates fell on the Brexit news as investors sought relative safety in U.S. assets. An already wary Federal Reserve appears unlikely to raise U.S. interest rates anytime soon, in contrast to last year's signal that rates might be pushed up four times this year. Key metrics such as inflation and wage growth are being closely watched. This year's market turbulence, slow economic growth, and now Brexit, suggest a guarded approach to monetary policy and adjustments. Inflation hasn't hit the Fed's 2% target for more than four years. Foreign central banks are expected to act to counter a potential drag on the global economy after the Brexit vote, with possible rate cuts from the Bank of England, further stimulus from the European Central Bank, and flexibility from the Bank of Japan.

- Visionary or financially impractical? Tesla Motors, Inc., maker of battery-powered cars, announced a $2.8 billion offer to buy Solar City, the biggest U.S. rooftop solar installer. On the surface, the offer by a money-losing electric car company to buy a money-losing, debt-saddled solar company defies common sense and Tesla shares traded down over 10% on the news. Elon Musk, CEO of Tesla and Chairman of Solar City, has proposed a vertically integrated, clean energy company that would power one's car, home, and business. Using solar panels to provide electricity for a home and a car would likely reduce the amount of time it takes for the solar system to pay for itself and reduce the cost of running an electric car over its lifetime. Has the future arrived?

INVESTMENT REVIEW

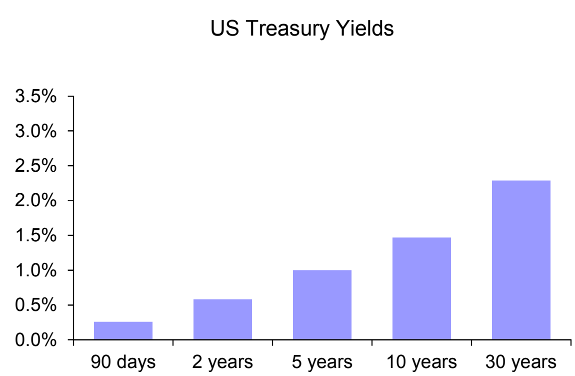
- Tempest in a teapot? Stock markets in June suffered two of the worst trading days of the year, followed by two of the best. The averages closed almost unchanged in June; the Dow Jones Industrial Average rose 0.8%, the S & P 500 rose 0.1% and the Nasdaq Composite declined 2.1%.

- The U.S. Initial Public Offering (IPO) market had a slow start this year; through May, just 31 companies went public in the U.S., down from 69 in the first five months of 2015, and 115 over the same five-month period in 2014. Sharp swings in stocks and a poor showing by companies that went public in 2015 have brought about fewer new issues and more modest price levels than last year.

- Americans' total wealth reached a record high of $88.1 trillion in the first quarter of 2016. Rising home values bolstered the collective net worth of Americans, 63.7% of whom own homes. Home values offset stock market dips early this year and mortgage balances have grown slowly. Americans' total home equity has almost recovered to its level at the peak of the housing bubble.

KEY INVESTMENT STATISTICS

	6/30/2016	12 Month High	12 Month Low	YTD Price Change
Dow Jones Industrial Average	17930	18100	15660	2.9%
Nasdaq Composite	4843	5219	4267	-3.3%
S & P 500 Stock Index	2099	2128	1829	2.7%
2016 Operating EPS Estimate	$120			
P/E on 2016 EPS	17.5X			
2017 Operating EPS Estimate	$132			
P/E on 2017 EPS	16X			
Dividend Yield	2.1%			
Yields on US Treasury Obligations				
90 days	0.26%			
2 years	0.58%			
5 years	1.00%			
10 years	1.47%			
30 years	2.29%			
CPI: Trailing 12 Months	1.0%			
Crude Oil: Price Per Barrel [WTI]	$48	$59	$26	
Gold: Price Per Ounce	$1,321	$1,325	$1,049	
Natural Gas: Price per MM BTU [spot]	$2.93	$2.95	$1.49	



Sources: Federal Reserve, Bloomberg LLC, Thompson Financial, National Association of Realtors, U.S. Department of Labor,