

MONTHLY MARKET SUMMARY



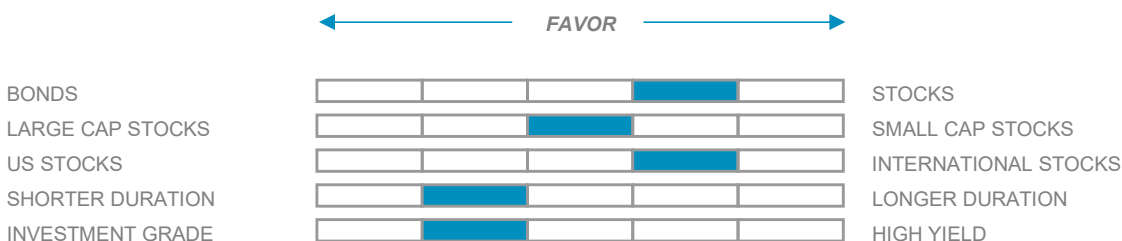
JANUARY 2018

MARKET SUMMARY

Global stocks (MSCI ACWI) returned 1.6% in December, for the 14th consecutive monthly gain. This is the longest streak for the 30 years of available data. With support from tax reform, solid earnings growth, and robust economic data, US stocks (S&P 500) returned 1.1% for the month, capping the best quarter (+6.6%) in two years. In December, US stocks were led by a rebound in telecommunication and energy stocks, which were still the two worst performing sectors for the full year. Technology closed the year with an astounding 38.8% return. Slow growing utility stocks lagged for the month. Emerging market equities (MSCI EM) surged 3.5% in December resulting in a calendar year return of 37.5%. 2017 was the best year for emerging market equities since 2009 and the first time in five years that EM stocks outperformed US stocks. International developed market equities (MSCI EAFE) also generated solid returns for the month with a 1.6% gain, and outperformed US equities for the full year with a return of 25.7%, versus 21.8% for the S&P 500. As widely expected, the Federal Reserve increased the Fed Funds rate to 1.5% in December which marked the third increase in 2017 and the fifth increase since late 2015. In response, short and intermediate US Treasury yields moved slightly higher. During December, the 2yr Tsy yield hit 1.90% for the first time in over nine years and the 5yr Tsy yield reached 2.25% for the first time in over six years. Longer term yields have been more stable, resulting in a significant flattening of the yield maturity curve. The difference between the 2.41% 10yr yield and the 1.89% 2yr yield of 0.52% was the lowest in a decade. The Bloomberg Commodity index gained a strong 2.9% in December. Commodity gains were led by a continued rebound in oil and a surge in industrial metals. WTI crude oil closed the year at \$60.42, which was the highest level since June 2015.

ECONOMIC GROWTH		3rd qtr GDP growth was revised downward to 3.2%, the strongest growth since the 1st qtr of 2015.
INFLATION		December CPI decreased to 2.1% from 2.2%, and has been at least 2.0% for 4 consecutive months.
EMPLOYMENT		December non-farm payroll growth of 148k was below expectations. However, the unemployment rate was unchanged at 4.1%, which is the lowest level in 17 years.
CONSUMER CONFIDENCE		Conference Board & Univ of Mich consumer gauges remain near the highest levels in a decade.
MONETARY POLICY		The Federal Reserve increased the fed funds rate to 1.5% for the third increase in 2017.
CORPORATE EARNINGS		FactSet indicates that analysts expect year-over-year earnings growth of 11% in the 4th qtr.
CORPORATE VALUATIONS		The S&P 500 is trading at valuation multiples above historical averages.

ASSET ALLOCATION VIEWS

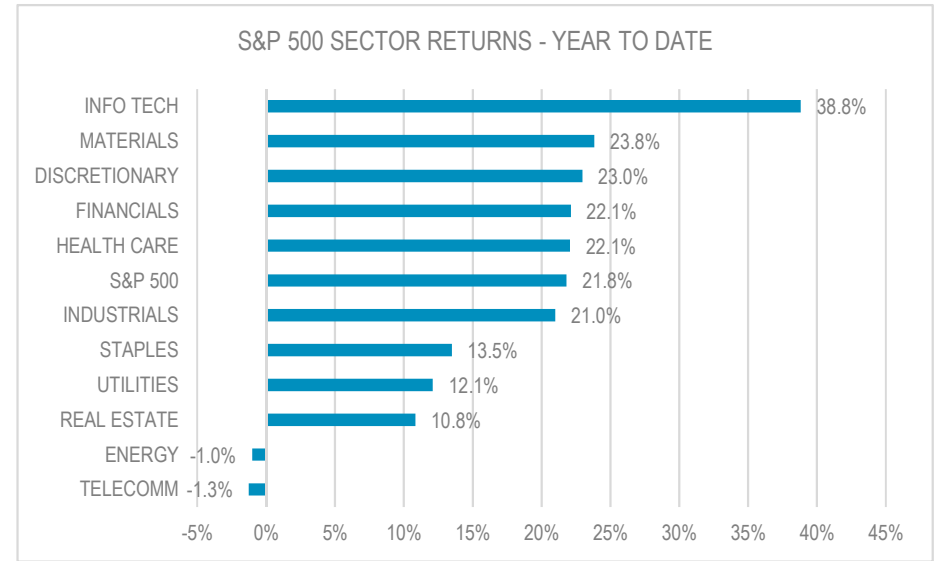
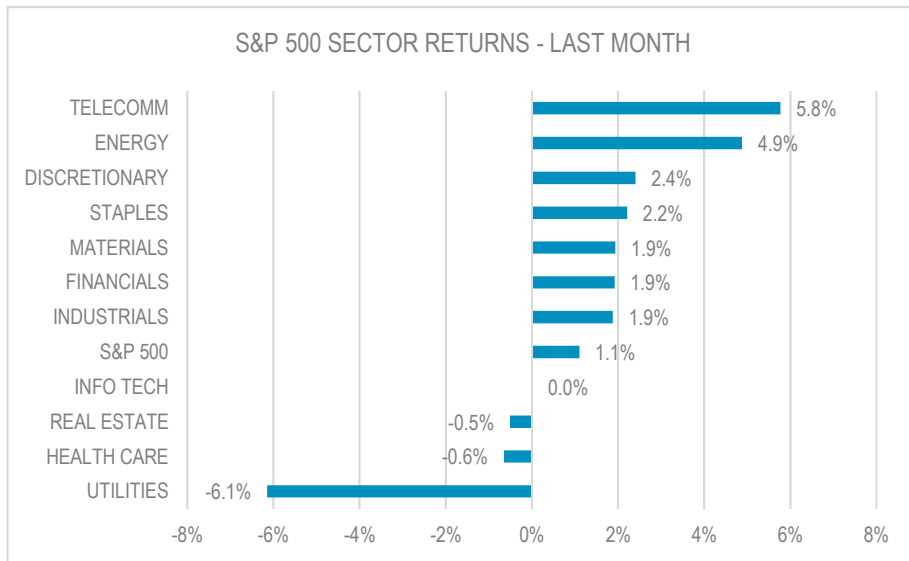


FIXED INCOME YIELDS	12/31/17	1 YR AGO	CHANGE	DURATION
1 YEAR US TREASURY	1.74%	0.81%	0.93%	1.0
5 YEAR US TREASURY	2.21%	1.93%	0.28%	4.6
10 YEAR US TREASURY	2.41%	2.45%	-0.04%	8.8
30 YEAR US TREASURY	2.74%	3.07%	-0.33%	20.6
US CORE BONDS	2.71%	2.61%	0.10%	6.0
US HIGH YIELD CORP BDS	5.72%	6.12%	-0.40%	3.9
US MORTGAGES	2.91%	2.85%	0.06%	4.4
US LARGE CAP STOCKS	1.89%	2.09%	-0.20%	

HISTORICAL INVESTMENT RETURNS

	TOTAL RETURNS THROUGH 12/31/2017:						
	1 MONTH	QTD	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS
US CORE BONDS (BARCLAYS US AGGREGATE)	0.46%	0.39%	3.54%	3.54%	2.24%	2.10%	4.01%
US HIGH YIELD BONDS (BARCLAYS CORP HI YLD)	0.30%	0.47%	7.50%	7.50%	6.35%	5.78%	8.03%
LARGE CAP US STOCKS (S&P 500)	1.10%	6.64%	21.82%	21.82%	11.40%	15.78%	8.49%
SMALL CAP US STOCKS (RUSSELL 2000)	-0.41%	3.33%	14.63%	14.63%	9.94%	14.11%	8.70%
INTERNATIONAL STOCKS (MSCI ACWI ex US)	2.23%	5.04%	27.77%	27.77%	8.37%	7.35%	2.37%
REAL ESTATE EQUITIES (MSCI REIT)	-0.19%	1.47%	5.13%	5.13%	5.39%	9.37%	7.37%
COMMODITIES (BLOOMBERG COMMODITY INDEX)	2.88%	4.39%	0.75%	0.75%	-5.46%	-8.71%	-7.14%

S&P 500 SECTOR RETURNS



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