

# MONTHLY MARKET SUMMARY

OCTOBER 2017



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In September, global equities continued to rally while US Treasury rates moved higher. With a return of 2.0% (MSCI ACWI index), global stocks marked their 11th consecutive monthly gain, which matches the longest winning streak since 2004. In the US, a rebound in energy prices and an increase in fixed income yields triggered solid gains in energy and financial stocks which were among the best performers in the S&P 500. Conversely, interest rate-sensitive utility and real estate stocks were among the worst performers. US small cap stocks surged over 6% after lagging large cap stocks for much of the year. International equities returned 1.9% in September as 2.5% gains in developed markets offset modest losses of -0.4% in emerging markets. However, with a return of over 28%, emerging markets remain the best performing broad equity index year to date. Marking its confidence in the US economy, the Federal Reserve confirmed its plan to begin reducing its \$4.5 trillion balance sheet nearly a decade after the beginning of the great recession. Securities that were purchased by the Fed as part of its large scale quantitative easing program will begin to roll-off at a rate of \$10 billion per month in October. Additionally, the Fed signaled the potential for one additional increase in the fed funds rate by the end of the year. This news, higher oil prices and increased tax reform momentum drove US Treasury yields higher. At 1.49%, the two year Treasury yield hit its highest level since 2008.

## US ECONOMIC OVERVIEW

	CAUTIOUS	NEUTRAL	POSITIVE	COMMENTS
ECONOMIC GROWTH				Estimated 2nd qtr GDP growth was revised upwards to 3.1%, which is the highest since the first qtr of 2015.
INFLATION				Inflation had trended lower in recent months, but increased to a year-over-year rate of 1.9% in August.
EMPLOYMENT				Unemployment fell to 4.2% which is the lowest level in 16 years. However, due to hurricane disruptions, the number of workers on US payrolls declined in September for the first time since 2010.
CONSUMER CONFIDENCE				Multiple measures of consumer confidence remain at healthy levels.
MONETARY POLICY				The Fed is expected to continue to slowly raise fed funds rates and begin shrinking its balance sheet.
CORPORATE EARNINGS				FactSet projects 5% earnings and revenue growth for S&P 500 companies in the third quarter.
CORPORATE VALUATIONS				The S&P 500 is trading at valuation multiples above historical averages.

## ASSET ALLOCATION VIEWS

	FAVOR	
BONDS		STOCKS
LARGE CAP STOCKS		SMALL CAP STOCKS
US STOCKS		INTERNATIONAL STOCKS
SHORTER DURATION		LONGER DURATION
INVESTMENT GRADE		HIGH YIELD

## FIXED INCOME YIELDS

	9/29/17	1 YR AGO	CHANGE	DURATION
1 YEAR US TREASURY	1.29%	0.59%	0.71%	1.0
5 YEAR US TREASURY	1.94%	1.15%	0.79%	4.8
10 YEAR US TREASURY	2.33%	1.60%	0.74%	8.9
30 YEAR US TREASURY	2.86%	2.32%	0.54%	20.7
US CORE BONDS	2.55%	1.96%	0.59%	6.0
US HIGH YIELD CORP BDS	5.45%	6.17%	-0.72%	3.8
US MORTGAGES	2.81%	2.06%	0.75%	4.5
US LARGE CAP STOCKS	1.97%	2.13%	-0.16%	

## HISTORICAL INVESTMENT RETURNS

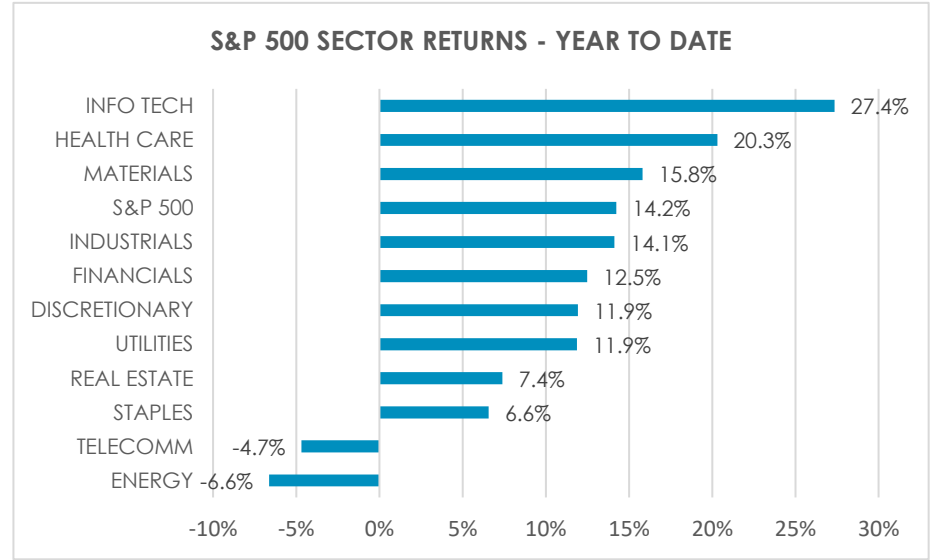
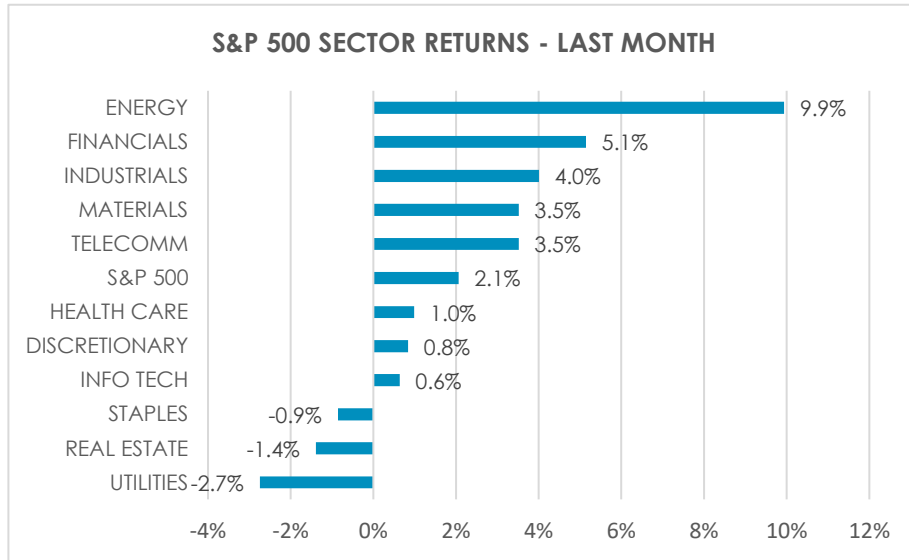
	TOTAL RETURNS THROUGH 9/30/2017:						
	1 MONTH	QTD	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS
US CORE BONDS (BARCLAYS US AGGREGATE)	-0.48%	0.85%	3.14%	0.07%	2.71%	2.06%	0.06%
US HIGH YIELD BONDS (BARCLAYS CORP HI YLD)	0.90%	1.98%	7.00%	8.88%	5.83%	6.36%	0.81%
LARGE CAP US STOCKS (S&P 500)	2.06%	4.48%	14.24%	18.60%	10.80%	14.21%	1.74%
SMALL CAP US STOCKS (RUSSELL 2000)	6.24%	5.67%	10.93%	20.71%	12.16%	13.79%	1.90%
INTERNATIONAL STOCKS (MSCI ACWI ex US)	1.87%	6.25%	21.60%	20.20%	5.25%	7.53%	1.85%
REAL ESTATE EQUITIES (MSCI REIT)	-0.10%	0.93%	3.61%	0.54%	9.68%	9.61%	0.54%
COMMODITIES (BLOOMBERG COMMODITY INDEX)	-0.23%	2.25%	-3.49%	-1.03%	-10.72%	-10.67%	-0.27%

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## S&P 500 SECTOR RETURNS



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