

MONTHLY MARKET SUMMARY

SEPTEMBER 2017



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Volatility increased in August as violence in Charlottesville, VA and nuclear threats from North Korea dominated headlines and increased investor concerns over geopolitical risks. However, better than expected US economic growth and the administration's pivot to focus on tax reform seemed to calm jitters and fuel a late month rebound. Global stocks (MSCI ACWI) returned 0.4% for the month, increasing the string of positive returns to 10 consecutive months, which is the longest streak in over 13 years. International stocks continued to outperform domestic stocks on strength in emerging markets. The MSCI Emerging Market index, which had trailed the S&P 500 for the last four calendar years, has generated a return of almost 29% year to date versus roughly 12% for the S&P 500. Within the US, growth stocks in the technology and health care sectors continued to outperform in August and interest-rate sensitive utility stocks also generated solid returns. Bonds rallied as the 10-year US Treasury yield fell to 2.12%, which is the lowest level of 2017. Gold jumped 4% in August, and, at \$1321 per troy ounce, is now up over 14% year to date. Conversely, oil continued to struggle. Damage from Hurricane Harvey is estimated to have temporarily reduced US refining capacity by roughly 25%, leading to a surge in the price of gasoline while decreasing the demand for oil. West Texas Intermediate crude slipped almost 6% to \$47.23 per barrel while unleaded gasoline surged to a two-year high of \$2.52 per gallon.

US ECONOMIC OVERVIEW

	CAUTIOUS	NEUTRAL	POSITIVE	COMMENTS
ECONOMIC GROWTH	<div style="width: 33%;"></div>	<div style="width: 33%;"></div>	<div style="width: 33%;"></div>	Estimated 2nd qtr GDP growth was revised upwards to 3.0%, which is the highest since the first qtr of 2015.
INFLATION	<div style="width: 33%;"></div>	<div style="width: 33%;"></div>	<div style="width: 33%;"></div>	The rate of inflation has trended lower in recent months, and, at 1.7%, is well below the Fed's target.
EMPLOYMENT	<div style="width: 33%;"></div>	<div style="width: 33%;"></div>	<div style="width: 33%;"></div>	Job growth disappointed in August but remains robust. Unemployment of 4.4% is at historically low levels.
CONSUMER CONFIDENCE	<div style="width: 33%;"></div>	<div style="width: 33%;"></div>	<div style="width: 33%;"></div>	Bloomberg's measure of consumer comfort hit a 16-year high.
MONETARY POLICY	<div style="width: 33%;"></div>	<div style="width: 33%;"></div>	<div style="width: 33%;"></div>	The Fed is expected to continue to slowly raise fed funds rates and begin to shrink its balance sheet.
CORPORATE EARNINGS	<div style="width: 33%;"></div>	<div style="width: 33%;"></div>	<div style="width: 33%;"></div>	FactSet estimates that S&P 500 company earnings grew by over 10% year-over-year in the second qtr.
CORPORATE VALUATIONS	<div style="width: 33%;"></div>	<div style="width: 33%;"></div>	<div style="width: 33%;"></div>	The S&P 500 is trading at valuation multiples above historical averages.

ASSET ALLOCATION VIEWS

	FAVOR	
BONDS	<div style="width: 33%;"></div>	STOCKS
LARGE CAP STOCKS	<div style="width: 33%;"></div>	SMALL CAP STOCKS
US STOCKS	<div style="width: 33%;"></div>	INTERNATIONAL STOCKS
SHORTER DURATION	<div style="width: 33%;"></div>	LONGER DURATION
INVESTMENT GRADE	<div style="width: 33%;"></div>	HIGH YIELD

FIXED INCOME YIELDS

	8/31/17	1 YR AGO	CHANGE	DURATION
1 YEAR US TREASURY	1.22%	0.59%	0.63%	1.0
5 YEAR US TREASURY	1.70%	1.20%	0.51%	4.8
10 YEAR US TREASURY	2.12%	1.58%	0.54%	9.0
30 YEAR US TREASURY	2.73%	2.23%	0.50%	21.0
US CORE BONDS	2.42%	1.95%	0.47%	5.9
US HIGH YIELD CORP BDS	5.61%	6.31%	-0.70%	3.8
US MORTGAGES	2.70%	2.03%	0.67%	4.2
US LARGE CAP STOCKS	2.00%	2.13%	-0.12%	

HISTORICAL INVESTMENT RETURNS

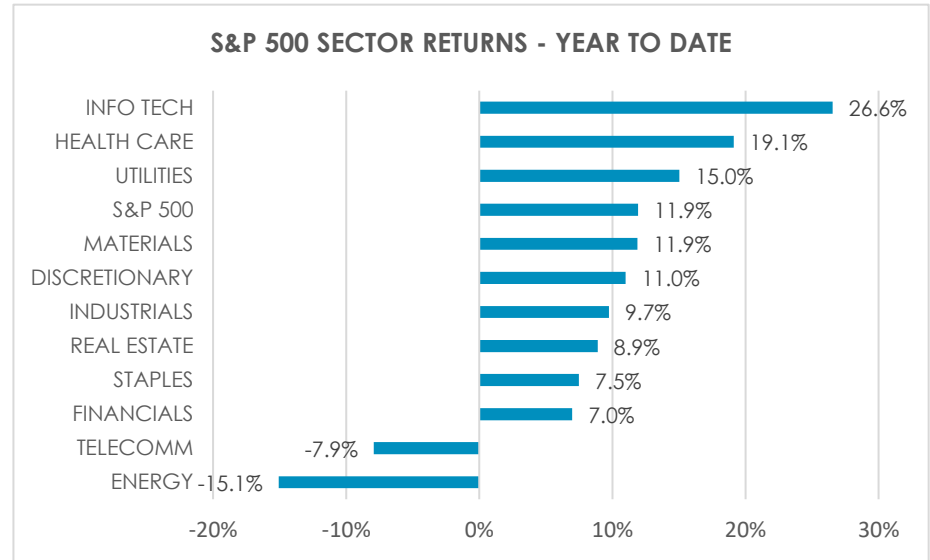
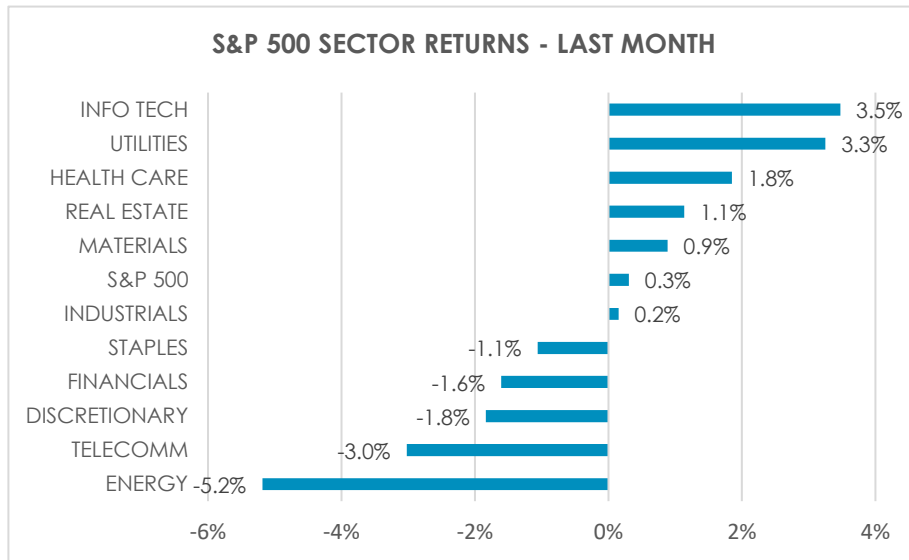
	TOTAL RETURNS THROUGH 8/31/2017:						
	1 MONTH	QTD	YTD	1 YEAR	3 YEARS	5 YEARS	10 YEARS
US CORE BONDS (BARCLAYS US AGGREGATE)	0.90%	1.33%	3.63%	0.49%	2.64%	2.19%	4.40%
US HIGH YIELD BONDS (BARCLAYS CORP HI YLD)	-0.04%	1.07%	6.05%	8.63%	4.77%	6.47%	8.02%
LARGE CAP US STOCKS (S&P 500)	0.31%	2.37%	11.93%	16.23%	9.54%	14.33%	7.61%
SMALL CAP US STOCKS (RUSSELL 2000)	-1.27%	-0.54%	4.42%	14.89%	7.66%	13.15%	7.36%
INTERNATIONAL STOCKS (MSCI ACWI ex US)	0.56%	4.30%	19.37%	19.50%	2.90%	7.93%	2.28%
REAL ESTATE EQUITIES (MSCI REIT)	-0.24%	1.03%	3.72%	-1.19%	7.49%	9.22%	6.21%
COMMODITIES (BLOOMBERG COMMODITY INDEX)	0.31%	2.49%	-3.27%	2.28%	-12.55%	-10.33%	-6.49%

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S&P 500 SECTOR RETURNS



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