

Open-End Net Fund Flows (\$)	8/16	7/16	YTD (Aug)
Equity	-32.35B	-37.28B	-136.24B
Taxable Bond	16.46B	18.45B	59.16B
Municipal Bond	6.62B	6.03B	46.24B
Hybrid	-0.59B	-1.82B	-16.67B
Taxable Money Market	48.21B	20.35B	70.01B

Key Interest Rates	9/30/16	12/31/15	9/30/15
Federal Funds Rate (Upper)	0.50%	0.50%	0.25%
LIBOR (3-Month)	0.85%	0.61%	0.33%
2-Year T-Note	0.77%	1.05%	0.63%
10-Year T-Note	1.60%	2.27%	2.04%
Bond Buyer 40	3.82%	4.21%	4.38%

Commodities/U.S. Dollar	9/16	YTD (Sep)	12 Mo.
U.S. Dollar Index (DXY)	-0.58%	-3.21%	-0.92%
TR/CC CRB Commodity Index	3.39%	5.78%	-3.84%
Crude Oil (Barrel)	7.92%	30.24%	6.99%
Natural Gas (per million BTUs)	0.69%	24.36%	15.48%
Gold Bullion (Ounce)	0.41%	23.87%	17.73%

## Total Return Performance

U.S. Stock Indices	9/16	YTD	12 Mo.
S&P 500	0.02%	7.84%	15.42%
DJIA	-0.41%	7.21%	15.46%
NASDAQ 100	2.24%	7.19%	18.13%
S&P 400	-0.64%	12.40%	15.33%
Russell 2000	1.11%	11.45%	15.46%
Russell 3000	0.16%	8.18%	14.95%

U.S. Styles/Market Caps	9/16	YTD	12 Mo.
S&P 500 Growth	0.40%	6.38%	14.73%
S&P 500 Value	-0.37%	9.36%	15.97%
S&P MidCap 400 Growth	-1.36%	9.59%	12.78%
S&P MidCap 400 Value	0.02%	15.24%	17.79%
Russell 2000 Growth	1.44%	7.47%	12.11%
Russell 2000 Value	0.79%	15.48%	18.80%

Foreign Stock Indices (USD)	9/16	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	1.22%	3.12%	7.16%
MSCI Emerging Markets NET	1.29%	16.02%	16.78%
MSCI Europe NET	0.87%	0.00%	2.49%
MSCI BRIC NET	1.64%	16.54%	18.05%
MSCI EM Latin America NET	-0.82%	32.21%	28.65%
Nikkei 225	-0.21%	4.50%	13.67%

Barclays Bond Indices	9/16	YTD	12 Mo.
U.S. Treasury: Intermediate	0.17%	3.39%	2.50%
GNMA 30 Year	0.26%	3.33%	3.50%
Municipal Bond (22+)	-0.87%	6.13%	8.72%
U.S. Aggregate	-0.06%	5.80%	5.19%
Intermediate Corporate	0.08%	5.99%	5.55%
U.S. Corporate High Yield	0.67%	15.11%	12.73%
Global Aggregate	0.55%	9.85%	8.83%
EM Hard Currency Aggregate	0.30%	12.68%	13.46%

Sources: Bloomberg, Barclays, Investment Company Institute

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## Climate

The Organization of the Petroleum Exporting Countries (OPEC) announced on 9/28/16 that its members would reduce crude oil production from around 33.24 million barrels per day (bpd) to a range of 32.5 to 33.0 million bpd, according to Reuters. Iranian Oil Minister Bijan Zanganeh estimates that output will drop by around 700,000 bpd. This is the first OPEC deal since 2008. Why is this OPEC agreement calling for a modest cut in crude oil production important? It has the potential to ease at least some of the concerns investors have had over the negative fallout (lower oil revenues) endured by oil-producing nations from the plunge in the price of crude oil since mid-2014. Crude oil dropped from its 2014 closing high of \$107.26 (6/20/14) per barrel to a period low of \$26.21 (2/11/16) per barrel, or a decline of 75.6%, according to data from Bloomberg. It closed 9/30/16 at \$48.24 per barrel. Collapsing crude oil revenues stemming from too much production also has the potential of creating political instability in some oil-producing nations, such as Venezuela and the Gulf, according to *The Economist*.

## Stock Market

The S&P 500 Index closed at 2,168.27 on 9/30/16, which was 1.00% below its all-time high of 2,190.15 set on 8/15/16, according to Bloomberg. In September, the top two performing major sectors that comprise the S&P 500 Index were Energy and Information Technology, up 3.08% and 2.44%, respectively, on a total return basis. The two worst performers were Financials and Real Estate, down 2.72% and 1.62%, respectively. Y-T-D through September, the top two performing sectors were Energy and Telecommunication Services, up 18.72% and 17.86%, respectively, while the two worst performers were Health Care and Financials, up 1.37% and 1.40%, respectively. As of 9/30/16, the dividend yield on the S&P 500 Index was 2.13%, while the yield on the 10-year Treasury note (T-note) was 1.60%, according to Bloomberg. Since 1953, whenever the dividend yield on the S&P 500 Index exceeded the yield on the 10-year T-note, the S&P 500 Index posted an average gain of nearly 20% in the following 12 months, and rose in price more than 80% of the time, according to Sam Stovall, U.S. equity strategist at S&P Global Market Intelligence. As good as a year that large-capitalization (cap) stocks are having so far in 2016, they lag mid-caps, small-caps and emerging markets (see tables to left).

## Bond Market

In September, the yield on the benchmark 10-year Treasury note rose two basis points to 1.60%, which was 44 basis points below its 2.04% yield on 9/30/15 and 61 basis points below its three-year average of 2.21%, according to Bloomberg. Dealogic reported that global debt issuance in 2016 stood at \$5.02 trillion as of 9/22, putting 2016 on course to top the all-time high of \$6.60 trillion registered in 2006, according to *The Telegraph*. Corporate issuance of investment-grade debt stood at a record high \$1.54 trillion (Y-T-D thru 9/22). The low interest rate climate fostered by central banks around the world has encouraged countries and companies to issue debt. More than \$13 trillion of global sovereign and corporate debt trades at negative yields. Central banks around the globe have been working overtime to keep interest rates artificially low via bond-buying programs and easy monetary policy. Normally, a huge supply of new debt hitting the market would tend to push interest rates higher. Issuers would likely have to pay more in interest to compete for capital, but not in today's climate. Fears over weakening global economic growth and deflation appear to have persuaded many bond investors to feel comfortable earning a low rate of return on their money, in our opinion.

## Takeaway

Table 4 in the left hand column of this page shows that the S&P 500 Index posted a total return of 7.84% in the first nine months of 2016. That 7.84% nine-month total return equates to 10.57% on an annualized basis, according to Bloomberg. While past performance is not a guarantee of future results, our point is simply that the S&P 500 Index's gain so far in 2016 is in line with the historical norm. From 1926 through 2015, the average annual total return for the S&P 500 Index was 10.02%, according to Ibbotson Associates/Morningstar. Despite the S&P 500 Index's gain to date, as well as the gains posted by other major domestic and foreign equity indices (Tables 4-6), retail investors liquidated a net \$136.24 billion from open-end equity mutual funds year-to-date through August (see Table 1).

Index	10-Yr. High Value	Date	10-Yr. Low Value	Date	Month-End Value	% Off High Value	YTD Return (USD)	Month-End Yield
S&P 500	2190.15	8/15/2016	676.53	3/9/2009	2168.27	-1.00%	7.84%	2.13%
S&P 500 Growth	1235.45	8/15/2016	363.99	3/9/2009	1222.52	-1.05%	6.38%	1.64%
S&P 500 Value	950.18	9/8/2016	307.16	3/9/2009	938.80	-1.20%	9.36%	2.64%
S&P MidCap 400	1581.51	9/7/2016	404.62	3/9/2009	1552.26	-1.85%	12.40%	1.90%
S&P MidCap 400 Growth	727.13	9/7/2016	174.44	11/20/2008	709.12	-2.48%	9.59%	1.42%
S&P MidCap 400 Value	538.45	9/7/2016	144.98	3/9/2009	531.57	-1.28%	15.24%	2.32%
S&P 100	968.82	8/15/2016	322.13	3/9/2009	958.68	-1.05%	7.06%	2.26%
DJIA	18636.05	8/15/2016	6547.05	3/9/2009	18308.15	-1.76%	7.21%	2.56%
NASDAQ 100	4891.36	9/22/2016	1036.51	11/20/2008	4875.70	-0.32%	7.19%	1.21%
Russell 2000	1295.80	6/23/2015	343.26	3/9/2009	1251.65	-3.41%	11.45%	1.55%
Russell 2000 Growth	808.08	6/23/2015	190.73	3/9/2009	755.55	-6.50%	7.47%	0.89%
Russell 2000 Value	1581.69	9/7/2016	469.32	3/9/2009	1568.20	-0.85%	15.48%	2.21%
Russell 3000	1295.73	9/7/2016	389.61	3/9/2009	1284.60	-0.86%	8.18%	2.05%
MSCI World Net (ex U.S.) (USD)	5496.51	7/3/2014	2131.84	3/9/2009	4933.54	-10.24%	3.12%	3.27%
MSCI Emerging Markets Net (USD)	473.36	10/29/2007	164.51	10/27/2008	396.35	-16.27%	16.02%	2.52%
Ibovespa/Brazil (USD)	44638.24	5/19/2008	9077.09	1/21/2016	17983.44	-59.71%	61.96%	2.80%
RTS/Russia (USD)	2487.92	5/19/2008	498.20	1/23/2009	990.88	-60.17%	35.88%	4.37%
S&P BSE 500/India (USD)	226.04	1/7/2008	57.52	3/9/2009	175.61	-22.31%	10.67%	1.31%
Shanghai Composite/China (USD)	832.07	6/12/2015	222.73	10/23/2006	450.73	-45.83%	-15.69%	1.94%
KOSPI/South Korea (USD)	2.29	10/31/2007	0.63	11/20/2008	1.86	-18.69%	11.75%	1.62%
Hang Seng (USD)	4082.25	10/30/2007	1420.72	10/27/2008	3003.91	-26.42%	10.01%	3.51%
MSCI Euro (USD)	1985.51	10/31/2007	682.47	3/9/2009	1133.74	-42.90%	0.20%	3.67%
S&P 500 Consumer Discretionary	651.70	8/15/2016	125.72	3/9/2009	635.96	-2.42%	3.64%	1.60%
S&P 500 Consumer Staples	571.69	7/14/2016	199.80	3/9/2009	546.54	-4.40%	7.55%	2.61%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	520.35	-29.40%	18.72%	2.86%
S&P 500 Utilities	269.14	7/6/2016	113.81	3/9/2009	248.79	-7.56%	16.13%	3.49%
S&P 500 Financials	509.55	2/20/2007	81.74	3/6/2009	320.82	-37.04%	1.40%	1.95%
S&P 500 Banks	414.38	2/20/2007	49.02	3/5/2009	218.74	-47.21%	-4.91%	2.29%
FTSE NAREIT All Equity REITs	725.61	8/1/2016	163.57	3/6/2009	682.10	-6.00%	12.48%	4.35%
S&P 500 Health Care	892.26	7/20/2015	252.84	3/5/2009	833.79	-6.55%	1.37%	1.65%
S&P 500 Pharmaceuticals	647.69	8/1/2016	214.50	3/3/2009	599.70	-7.41%	1.44%	2.48%
NYSE Arca Biotechnology	4431.87	7/17/2015	541.77	3/9/2009	3371.01	-23.94%	-11.45%	0.24%
S&P 500 Information Technology	803.07	9/22/2016	198.51	11/20/2008	801.72	-0.17%	12.51%	1.53%
Philadelphia Semiconductor	835.60	9/30/2016	171.32	11/20/2008	835.60	0.00%	27.91%	1.60%
S&P 500 Telecom Services	183.85	7/1/2016	88.10	3/9/2009	170.58	-7.22%	17.86%	4.57%
S&P 500 Industrials	511.27	7/20/2016	132.83	3/9/2009	504.87	-1.25%	10.87%	2.25%
S&P 500 Materials	326.60	2/24/2015	108.33	3/2/2009	299.87	-8.18%	11.45%	2.17%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	94.00	-58.94%	108.34%	0.41%
TR/CC CRB Commodity	473.52	7/2/2008	155.01	2/11/2016	186.32	-60.65%	5.77%	N/A
BofA ML Perpetual Preferred	242.43	9/6/2016	51.79	3/9/2009	239.76	-1.10%	6.42%	5.22%
BofA ML U.S. High Yield Constrained	381.41	9/30/2016	130.37	12/12/2008	381.41	0.00%	15.32%	6.59%

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