

Open-End Net Fund Flows (\$)	9/16	8/16	YTD (Sep)
Equity	-22.51B	-32.38B	-158.41B
Taxable Bond	13.82B	16.46B	73.35B
Municipal Bond	3.86B	6.62B	50.11B
Hybrid	-4.16B	-0.59B	-20.83B
Taxable Money Market	-29.05B	48.21B	40.96B

Key Interest Rates	10/31/16	12/31/15	10/31/15
Federal Funds Rate (Upper)	0.50%	0.50%	0.25%
LIBOR (3-Month)	0.88%	0.61%	0.33%
2-Year T-Note	0.84%	1.05%	0.73%
10-Year T-Note	1.83%	2.27%	2.14%
Bond Buyer 40	3.95%	4.21%	4.34%

Commodities/U.S. Dollar	10/16	YTD (Oct)	12 Mo.
U.S. Dollar Index (DXY)	3.13%	-0.18%	1.55%
TR/CC CRB Commodity Index	-0.02%	5.76%	-4.77%
Crude Oil (Barrel)	-2.86%	26.51%	0.58%
Natural Gas (per million BTUs)	4.12%	29.49%	30.60%
Gold Bullion (Ounce)	-3.06%	20.08%	11.54%

Total Return Performance

U.S. Stock Indices	10/16	YTD	12 Mo.
S&P 500	-1.82%	5.87%	4.50%
DJIA	-0.79%	6.36%	5.49%
NASDAQ 100	-1.49%	5.60%	4.62%
S&P 400	-2.67%	9.40%	6.26%
Russell 2000	-4.75%	6.15%	4.10%
Russell 3000	-2.16%	5.84%	4.23%

U.S. Styles/Market Caps	10/16	YTD	12 Mo.
S&P 500 Growth	-2.12%	4.12%	2.65%
S&P 500 Value	-1.51%	7.71%	6.43%
S&P MidCap 400 Growth	-3.32%	5.94%	3.67%
S&P MidCap 400 Value	-2.09%	12.83%	8.63%
Russell 2000 Growth	-6.21%	0.79%	-0.50%
Russell 2000 Value	-3.29%	11.68%	8.80%

Foreign Stock Indices (USD)	10/16	YTD	12 Mo.
MSCI World NET (Ex-U.S.)	-1.94%	1.12%	-2.27%
MSCI Emerging Markets NET	0.24%	16.30%	9.27%
MSCI Europe NET	-3.26%	-3.26%	-7.48%
MSCI BRIC NET	1.05%	17.76%	11.81%
MSCI EM Latin America NET	9.92%	45.33%	33.28%
Nikkei 225	2.34%	6.97%	6.93%

Barclays Bond Indices	10/16	YTD	12 Mo.
U.S. Treasury: Intermediate	-0.50%	2.87%	2.33%
GNMA 30 Year	-0.13%	3.19%	3.18%
Municipal Bond (22+)	-1.56%	4.48%	6.55%
U.S. Aggregate	-0.76%	4.99%	4.37%
Intermediate Corporate	-0.28%	5.70%	4.99%
U.S. Corporate High Yield	0.39%	15.56%	10.14%
Global Aggregate	-2.78%	6.80%	5.59%
EM Hard Currency Aggregate	-0.96%	11.60%	9.57%

Sources: Bloomberg, Barclays, Investment Company Institute

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Climate

If you are having a hard time making sense of the markets these days you're not alone. A survey by Spectrum Group in October 2016 found that 36% of millionaire investors planned to move to the "investment sidelines" over the next month due in part to the uncertainty surrounding the upcoming presidential election, according to CNBC. That was up from 26% in September's survey. Uncertainty in the markets can be influential and swift. Just take a look at the hit that the health care sector has endured (see "Stock Market") in response to attacks from politicians over the sharp rise in the cost of some prescription drugs as well as the surge in the premiums associated with the Affordable Care Act ("Obamacare") in 2017. For many consumers, expenses are rising much faster than interest rates. For example, Social Security benefits, which are indexed to inflation, will increase by only 0.3% in 2017, according to *Kiplinger*. There was no cost-of-living adjustment in 2016.

Stock Market

The S&P 500 Index closed at 2,126.15 on 10/31/16, which was 2.92% below its all-time high of 2,190.15 set on 8/15/16, according to Bloomberg. In October, the top two performing major sectors that comprise the S&P 500 Index were Financials and Utilities, up 2.30% and 0.87%, respectively, on a total return basis. The two worst performers were Health Care, down 6.53%, and Telecommunication Services, down 6.47%. Y-T-D through October, the top two performing sectors were Utilities and Energy, up 17.13% and 15.27%, respectively, while the two worst performers were Health Care, down 5.25%, and Real Estate, down 0.03%. Small-capitalization (cap) stocks, mid-caps and emerging market equities all outperformed the S&P 500 Index through the first 10 months of 2016 (see performance tables). Bank of America Merrill Lynch's monthly survey of money managers found that fund managers had increased their cash balances from 5.5% in September 2016 to 5.8% in October 2016, according to Bloomberg. The share of cash hasn't been higher than that since November 2001, shortly after the terrorist attacks in the U.S. Elevated cash balances potentially sets the stage for a rally in the stock market, according to Bank of America analysts. An average cash balance above 4.5% is viewed as a contrarian buy signal for equities, while an average cash balance below 3.5% is regarded as a contrarian sell signal.

Bond Market

In October, the yield on the benchmark 10-year Treasury note rose 23 basis points to 1.83%, which was 31 basis points below its 2.14% yield on 10/30/15 and 36 basis points below its three-year average of 2.19%, according to Bloomberg. The 23 basis point spike in October may have been a reaction to the talk of a potential Federal Reserve rate hike in December, in our opinion. The Fed hasn't raised rates since it hiked the federal funds rate by 25 basis points on 12/16/15. The Consumer Price Index (CPI) rose 0.3% in September (most recent), the largest monthly increase in five months, according to the Bureau of Labor Statistics. The CPI was up 1.5% year-over-year in September, compared to no change in prices for the 12-month period ended September 2015. Despite consumer prices moving higher, investors continued to funnel capital into bond funds in September (most recent). Investors poured an estimated net \$27.84 billion into bond mutual funds and exchange-traded products in September 2016, according to Morningstar. For the 12-month period ended September, these same funds/products reported estimated net inflows totaling \$221.37 billion.

Takeaway

While there may be some valid reasons for investors to have some concerns about the current political landscape and the upcoming election's influence on the U.S. economy and markets moving forward, investors may be encouraged to know that foreign investors funneled a lot of capital into the U.S. in 2015. Foreign direct investment in the U.S. (FDIUS) totaled \$3.1 trillion at the end of 2015, up 34.8% from the \$2.3 trillion total at the close of 2010, according to the Organization for International Investment. In 2015, FDIUS flows totaled \$353 billion, an all-time high and a little over double the \$176 billion invested in 2014. As of the close of 2015, on a cumulative FDIUS basis, the U.K. stood as the largest investor at \$569 billion, followed by Japan's \$414 billion and Canada's \$342 billion.

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	2126.15	-2.92%	5.87%	2.17%
S&P 500 Growth	1235.45	8/15/2016	363.99	3/9/2009	1195.69	-3.22%	4.12%	1.68%
S&P 500 Value	950.18	9/8/2016	307.16	3/9/2009	923.04	-2.86%	7.71%	2.68%
S&P MidCap 400	1581.51	9/7/2016	404.62	3/9/2009	1509.46	-4.56%	9.40%	1.95%
S&P MidCap 400 Growth	727.13	9/7/2016	174.44	11/20/2008	685.03	-5.79%	5.94%	1.48%
S&P MidCap 400 Value	538.45	9/7/2016	144.98	3/9/2009	519.96	-3.43%	12.83%	2.36%
S&P 100	968.82	8/15/2016	322.13	3/9/2009	943.87	-2.58%	5.57%	2.29%
DJIA	18636.05	8/15/2016	6547.05	3/9/2009	18142.42	-2.65%	6.36%	2.59%
NASDAQ 100	4909.97	10/24/2016	1036.51	11/20/2008	4801.27	-2.21%	5.60%	1.23%
Russell 2000	1295.80	6/23/2015	343.26	3/9/2009	1191.39	-8.06%	6.15%	1.64%
Russell 2000 Growth	808.08	6/23/2015	190.73	3/9/2009	708.33	-12.34%	0.79%	1.01%
Russell 2000 Value	1581.69	9/7/2016	469.32	3/9/2009	1515.31	-4.20%	11.68%	2.25%
Russell 3000	1295.73	9/7/2016	389.61	3/9/2009	1255.42	-3.11%	5.84%	2.09%
MSCI World Net (ex U.S.) (USD)	5496.51	7/3/2014	2131.84	3/9/2009	4837.65	-11.99%	1.12%	3.26%
MSCI Emerging Markets Net (USD)	473.36	10/29/2007	164.51	10/27/2008	397.29	-16.07%	16.30%	2.52%
Ibovespa/Brazil (USD)	44638.24	5/19/2008	9077.09	1/21/2016	20413.31	-54.27%	83.85%	2.68%
RTS/Russia (USD)	2487.92	5/19/2008	498.20	1/23/2009	988.74	-60.26%	35.89%	4.41%
S&P BSE 500/India (USD)	226.04	1/7/2008	57.52	3/9/2009	177.45	-21.50%	12.15%	1.30%
Shanghai Composite/China (USD)	832.07	6/12/2015	233.28	10/31/2006	458.02	-44.95%	-14.32%	1.85%
KOSPI/South Korea (USD)	2.29	10/31/2007	0.63	11/20/2008	1.75	-23.32%	5.39%	1.64%
Hang Seng (USD)	4082.25	10/30/2007	1420.72	10/27/2008	2957.23	-27.56%	8.46%	3.57%
MSCI Euro (USD)	1985.51	10/31/2007	682.47	3/9/2009	1124.33	-43.37%	-0.50%	3.61%
S&P 500 Consumer Discretionary	651.70	8/15/2016	125.72	3/9/2009	620.52	-4.78%	1.21%	1.62%
S&P 500 Consumer Staples	571.69	7/14/2016	199.80	3/9/2009	541.27	-5.32%	6.71%	2.63%
S&P 500 Energy	737.09	6/23/2014	304.81	3/5/2009	504.89	-31.50%	15.27%	2.85%
S&P 500 Utilities	269.14	7/6/2016	113.81	3/9/2009	250.83	-6.80%	17.13%	3.46%
S&P 500 Financials	509.55	2/20/2007	81.74	3/6/2009	327.75	-35.68%	3.73%	1.92%
S&P 500 Banks	414.38	2/20/2007	49.02	3/5/2009	229.04	-44.73%	-0.22%	2.21%
FTSE NAREIT All Equity REITs	725.61	8/1/2016	163.57	3/6/2009	646.15	-10.95%	6.73%	4.51%
S&P 500 Health Care	892.26	7/20/2015	252.84	3/5/2009	778.77	-12.72%	-5.25%	1.78%
S&P 500 Pharmaceuticals	647.69	8/1/2016	214.50	3/3/2009	567.96	-12.31%	-3.87%	2.62%
NYSE Arca Biotechnology	4431.87	7/17/2015	541.77	3/9/2009	2941.81	-33.62%	-22.72%	0.29%
S&P 500 Information Technology	811.68	10/24/2016	198.51	11/20/2008	800.64	-1.36%	12.44%	1.54%
Philadelphia Semiconductor	838.60	10/6/2016	171.32	11/20/2008	823.52	-1.80%	26.07%	1.62%
S&P 500 Telecom Services	183.85	7/1/2016	88.10	3/9/2009	157.79	-14.18%	10.23%	4.97%
S&P 500 Industrials	511.27	7/20/2016	132.83	3/9/2009	494.44	-3.29%	8.65%	2.37%
S&P 500 Materials	326.60	2/24/2015	108.33	3/2/2009	293.24	-10.21%	9.07%	2.23%
Philadelphia Gold & Silver	228.95	4/8/2011	38.84	1/19/2016	86.95	-62.02%	92.71%	0.44%
TR/CC CRB Commodity	473.52	7/2/2008	155.01	2/11/2016	186.28	-60.66%	5.75%	N/A
BofA ML Perpetual Preferred	242.43	9/6/2016	51.79	3/9/2009	239.23	-1.32%	6.18%	5.26%
BofA ML U.S. High Yield Constrained	386.20	10/25/2016	130.37	12/12/2008	382.60	-0.93%	15.68%	6.62%

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